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Trenton, N. J.

THIRD ANNUAL MESSAGE

January 11, 1977

## INTRODUCTION

In 1973, New Jersey faced several critical problems, including: wildly escalating costs of government and an inequitable tax structure bearing those costs; rising unemployment and signs of long-term economic trouble; a criminal justice system that had lost the public's trust; and a backlog of public issues on which the ordinary citizen was unable to prevail against well-entrenched, vested interests. Perhaps the most basic problem for New Jersey in 1973 was a government in which the public was excluded from observing, and participating in, many of the major decisions affecting their daily lives. That way of doing the people's business lacked courage and integrity. We could not be proud of that kind of government.

This Legislature and this Administration were elected to deal with those problems. We have not solved every one. We have made some mistakes. But, we have compiled a remarkable record of achievements and we have created a government in which our citizens can take pride -- no resident of our great State need hang his head when he says he comes from New Jersey.

While we can and should be pleased with what we have done, let us resolve to confront with intelligence and courage those tasks not yet accomplished. The conventional wisdom has it that in a state election year, nothing of significance can be accomplished in the Legislature. Let us disprove that conventional wisdom -- let us once again attack the hard problems and face the difficult solutions.

### 1. Capping Government Costs and Reforming the Tax System

When this Administration took office, New Jersey was faced with runaway state and local government costs borne by a regressive, inequitable tax system, including a crushing property tax, despite the efforts of two previous Governors to correct that inequity.

The decade ending in 1974 saw state budget increases averaging 16.8 percent per year. The people saw that the costs of doing public business were out of control. The public also perceived correctly that the basic state and local structure -- in particular, the reliance on property taxes for education -- had to be changed.

How have we dealt with this deepseated problem? What more should we do in 1977?

The Executive Branch instituted a tough zero-base budgeting system, while the Legislature took its own steps -- through a hard-working Joint Appropriations Committee -- to scrutinize state expenditures as never before. Together, we have placed an effective cap on the costs of government.

In the past two years, the appropriation to support the state budget has increased by only 2.4 percent. This is a remarkable achievement in the face of rampant inflation and of increased costs in mandated programs: a 43 percent increase in Medicaid; a 13 percent increase in income maintenance and a 31 percent increase in pension and Social Security costs. The alarming escalation of the previous decade has been halted, though not without real pain and sacrifice.

Last year, this Legislature took an extraordinary step toward placing limits on government spending at all levels. New Jersey is the only State in the nation which by law has imposed limitations on the amounts which government at all levels may increase their spending.

State, county and local governments must make hard choices about how they can cut spending to fit within the limitations of the law. I am proud of our record in keeping spending in line even without statutory restrictions. I accept the challenge imposed by the new cap laws.

Unlike our neighbors across the Hudson, we have maintained, even strengthened, the position of public bonds issued in New Jersey. Under our effective Qualified Bond Acts, Newark, which could not sell bonds at any price in December 1975, can now market sizeable bond issues at respectable rates. Many other New Jersey



municipalities and school districts have also been able to market bonds at favorable rates.

By allowing appropriated state-aid funds to serve as security for debt service payments, the State is providing financial stability and substantial savings for local governments -- especially our older municipalities -- without placing any additional burden on the State budget.

We have acted to insure that State funds are properly and productively spent, no matter where they are spent. I sent a special agent to assist in overhauling the financial affairs of the Newark school system and draft a set of permanent reforms, which this Legislature speedily enacted into law. These reforms are saving an estimated \$865,000 a year.

On a broader scale, we have enacted and implemented a program of statewide student performance standards in the basic skills to insure that the kids educated in our public schools are equipped with the basic tools to which they are entitled.

Most important, we have reformed an inequitable and regressive tax system. The struggle to provide property tax relief for New Jersey homeowners was long and difficult. I am proud to have made that fight. I am proud that the legislature reached agreement after a tumultuous constitutional conflict involving all three branches of government.

What will Tax Reform mean to the people of New Jersey? For the State's 1.4 million homeowning families, it will mean Homestead Rebate checks averaging \$100 per year, with senior citizens and disabled persons receiving rebates averaging \$240. For many homeowners, these rebates will exceed the amount of their income tax payment.

Tenants will share in the concrete benefits of Tax Reform: they are afforded a tax credit if they are under 65 years of age and a \$100 credit if they are senior citizens or disabled persons. New Jersey commuters who earn all or part



of their income in other states will share in the full tax relief benefits of the program without paying a penny more in income taxes. In some cases, they will pay smaller income taxes.

But rebates and credits are only one aspect of Tax Reform. Most of the \$374 million allocated to additional state school aid will end up in taxpayers' pockets. The program places caps on school spending and requires that unbudgeted State aid be passed directly through to the taxpayer.

Another \$94 million in property tax relief is apportioned among New Jersey's 567 municipalities as revenue sharing. This \$7.00 for every man, woman and child will be reflected in 1977 property tax bills.

The result will be an end to more than a decade of intolerable escalation in local property taxes. No longer will our children just establishing their own homes and our senior citizens living on fixed retirement incomes be forced to move away from the communities where they have roots.

I know that our reform program has its critics. I suspect this criticism will grow more vigorous and emotional as the November election approaches. I stand ready to meet that criticism with an open challenge: Show us the better way!

It is not enough to oppose the income tax without saying where you propose to fund the \$750 million in property tax relief yielded by the income tax.

It is not enough to say you are for tax reform, but not this tax reform. It is not enough to hint of a secret plan to be unveiled later or to promise that some fiscal magic will reveal itself in the months ahead. There is a workable tax reform program in place and the people deserve full and open discussion of precisely how the critics propose to improve upon it.

If there is a better way, let us test it in the crucible of public debate. But let us beware any proposal that would merely repeal the income tax and heap a billion dollars in local school and government costs back on the local property tax -- no matter how it may be gift wrapped.

It is far too late in the game for such simplistic solutions to be taken seriously -- and the people know it.

Solutions for Action in 1977

What more should be done in 1977 to deal with the problem of government costs?

The zero-base budgeting process that New Jersey has implemented so effectively provides a basic tool for capping the costs of State government. However, we must continually reexamine basic functions of government and assess whether they are necessary or need to be reformed. I will work with the legislature to design a Sunset process which requires a continuing reexamination of these functions, without tying government up in a new kind of costly red tape.

With fewer State employees per capita than 48 other states, with our budgets tightly capped, with a highly effective Cabinet team, the productivity of our State government is very high. But I am determined to improve on that record.

I propose to create a major new unit within the Treasury Department to carry out four major objectives.

It will undertake intense program and policy analysis of selected major programs designed to establish, not only how well they accomplish what they set out to do, but whether there might be a more effective way of accomplishing the same task. It would assess the effectiveness and efficiency of the people who make our programs work. And it would conduct a continuing review of the flow of federal funds into New Jersey as documentation for our efforts to gain a fair share of federal funding for New Jersey and the other industrial states of the Northeast.

In my First Annual Message, I called for the creation of a Task Force on the Business Efficiency of the Public Schools. That Task Force is preparing recommendations on expansion of regionalized school services (short of full regionalization), streamlining of business procedures, and smoothing operational relationships between school administrators and boards of education. I urge that these proposals be given special scrutiny.

I will continue to press for the establishment of minimum competency standards for high school graduation. Such standards should be set this year and put into force in five years to allow high schools and students sufficient time to meet those standards.

The New Jersey Commission on Financing Post-Secondary Education is completing a two-and-a-half-year reexamination of college and university financing in New Jersey and will offer sweeping recommendations affecting every aspect of higher education. These recommendations will be controversial. They deserve broad public discussion and debate in the months ahead.

I urge immediate consideration of the plan to consolidate the five current student aid programs into one comprehensive Tuition Assistance Plan. Swift legislative action on this proposal will bring increased efficiency and productivity to the student aid system.

In 1976, the Division of Local Government Services extended its financial audit powers to monitor and improve the financial management practices of local and regional utility authorities. This program will be further expanded in the year ahead.



## II. Creating Job Opportunities and Improving the Economy

When this Administration took office, New Jersey's economy was in critical condition. In April 1973, the Economic Policy Council reported that New Jersey lagged behind the rest of the nation in recovering from the recession and that this lag reflected major problems in the State's economic structure, particularly its manufacturing sector. By the start of 1974, the O.P.E.C. oil embargo was simultaneously driving inflation higher and triggering another recession that would soon put many more New Jerseyans out of work.

Fast emergency measures during the first months of this Administration helped New Jersey through the immediate gasoline crisis. However, the State was left with a badly damaged economic structure which would clearly require years of hard work to repair.

We were elected in 1974 to find solutions to this tough problem. What have we achieved so far? What remains to be done?

In three years we have put people back to work on vital public projects. We have attracted major new private enterprises, and we have confronted the energy crisis head on. We also have increased our share of federal funding and international investment in jobs for New Jerseyans. Let's look at the record.

Early in 1974, I proposed and you quickly adopted legislation establishing an Economic Development Authority to issue tax free industrial revenue financing bonds. I am proud of this agency's remarkable success. Since August 1974, the EDA has approved financing for 241 projects, generating capital investment of \$463 million and creating nearly 18,000 permanent jobs. An additional 5,000 construction workers have been employed in erecting new plants.

We have reorganized the Division of Economic Development in the Department of Labor and Industry to provide a wide range of services to business firms. We have created more than 25,000 new jobs and saved another 17,000 jobs by retaining jobs that were considering moving from the State.

The Hackensack Meadowlands Development Commission is well along on exciting plans for a new industrial and office park complex which will generate up to \$50-\$100 million in capital investment. This will mean thousands of new jobs for North Jersey.

An Office of State Economic Planning, supported by federal funds, is developing a comprehensive planning process and coordinating economic policies designed to renew the economy.

The new Capital Budget and Planning Commission, during the first year of operation, was instrumental in developing voter approval for \$210 million in State bonds for mortgage and housing assistance, environmental facilities, State institutions, and badly needed correctional facilities. These bonds will provide for essential capital construction and renovations and will create employment for more than 22,000 people.

In 1974, I promised that every dollar available for capital improvements would be spent expeditiously to reduce unemployment, especially in the hard hit construction trades. Despite the State's unprecedented fiscal crises, New Jersey has secured, and in most cases expended, more than \$2.8 billion State, federal and private dollars for capital improvements since January 1974. The list includes:

- The Meadowlands Sports Complex, completed within budget and on time.
- More than \$1 billion in wastewater treatment facilities, constructed largely with federal funds, and improvements to parks, recreational facilities and water supply systems.
- Some \$400 million, again largely from federal sources, to improve the Erie Lackawanna Railway, the New York and Long Branch Railroad and PATH.
- \$66 million in low-cost financing for low income and senior citizen housing, a program blocked by red tape until we cut the knot.

- More than \$150 million in low interest financing for hospital improvements and expansion and improvements at our State hospitals and institutions.
- \$100 million in federal funds for various State and local public works.

These projects have created more than 100,000 temporary and permanent jobs for New Jerseyans and represent a substantial investment in our economic and social future.

In April 1975, I established a special Economic Recovery Commission to propose action to stimulate New Jersey's economy. After exhaustive study, the Commission presented 53 specific proposals. Most of these recommendations have been implemented or are nearing completion.

We have stimulated housing development and rehabilitation, especially in our cities.

To preserve existing housing, we have enacted a strong anti-redlining law and empowered the Mortgage Finance Agency to purchase home improvement loans, increasing the availability and lowering the costs of these loans.

In addition, our State Housing Finance Agency has remained solvent and productive during a period when finance agencies throughout the country were shaken by the New York crisis. In fact, the New Jersey Housing Finance Agency has led the nation in using the new federal Title 8 subsidy program to construct new housing and rehabilitate existing housing.

We have enacted a Uniform Construction Code, a new Municipal Land Use Law and a new Soil Erosion and Compensation Law. The Department of Community Affairs is working closely with local governments in implementing these reforms which cut government red tape, reduce the cost of new housing, and establish uniform standards throughout the State.



Innovative housing grants to municipalities under the Neighborhood Preservation Program are helping to stabilize and revitalize urban neighborhoods. I have directed the Division of State and Regional Planning to prepare fair share housing goals to assure that they are consistent with our programs to revitalize the cities and promote comprehensive statewide planning.

For several years, I have heard businessmen, developers and private citizens alike, complain that bureaucratic red tape has put a stranglehold on economic development activities in New Jersey. In an effort to attack this problem, we have created an effective Office of Business Advocacy and have imposed a tough 90-day requirement on environmental permit processes.

To spur increased urban economic development and revitalize our cities, we have empowered municipalities to grant property tax abatements for commercial and industrial development located in areas in need of redevelopment.

We learned the hard way during the winter of 1973-74 that the era of cheap and plentiful energy has ended. This Administration has developed an admirable record in managing our dwindling resources and protecting the interests of our consumers.

We have worked vigorously to guard New Jersey's interests in the energy market. I resisted the ill-considered plan to make New Jersey the nation's single largest depository of liquified natural gas and worked instead to force the federal government to adopt tough national safety standards for this dangerous substance.

I fought a long and sometimes lonely battle to insure that any drilling done off our coast is controlled by the most demanding possible safety standards. The terrible oil spills of the last month point up the risks of making headlong decisions regarding offshore resources.

In order to further diminish the chances for such spills, we are making sure that oil drilled off our shore will come to us by pipeline, not foreign tanker. Carefully tapped, the offshore oil and gas can mean jobs and economic development for New Jersey; improperly exploited, they can spell disaster.

During that gasoline emergency, we created a first-rate Energy Office. It handled the emergency with decisiveness and imagination, serving as a model for several other states. The Office continues to monitor the energy situation, research and planning.

We have developed a strong proposal for the federal government to establish the nation's Solar Energy Research Institute in New Jersey. Our chances of bringing this important new research and development function to the State appear good.

Our energy future should be bright if we are prudent in using our existing resources and those off our coast, through research and development efforts, and through such imaginative new mechanisms as the Regional Energy and Development Corporation, which I presented to President-elect Carter. In the near term, however, we must guard our interests as we "manage scarcity."

We have increased New Jersey's share of federal spending, holding down the burden on our own taxpayers and insuring that a greater share of the stimulative effect of government spending reached our economy. Total federal outlays coming into New Jersey increased by \$2.2 billion in the past year alone. This was a result of our unified Congressional Delegation and our first-class Washington office, backed up by intensified federal relations efforts by every cabinet department.

In the past decade, international investment in New Jersey has expanded by more than 200 percent. The greatest part of that expansion has occurred in the last two years, making New Jersey one of the leading foreign investment states in the nation. More than 320 international companies have installations in New Jersey employing thousands of our citizens.

Last year, our State government assisted New Jersey businesses in selling products and services in Sweden, Belgium, Rumania and Saudi Arabia. State officials, working with representatives of New Jersey business and labor, have encouraged companies from Canada, Germany, Great Britain and France to locate manufacturing and service facilities in the State.

Our efforts to stimulate foreign investment in New Jersey bore solid results last week when Co-Steel International of Canada announced plans to construct a \$100 million facility in Perth Amboy, culminating two years of work by State officials to persuade the company's directors of our unique advantages.

#### Solutions for Action in 1977

What additional steps can be taken in 1977 toward solving the problem of unemployment? The problem is most extreme in our cities where thousands of idle workers live in the shadow of aging and abandoned industrial plants. No problem deserves higher priority on our agenda for 1977.

I urge swift passage of legislation arming the Economic Development Authority with extraordinary powers to designate urban growth zones, to promote their economic development, and to consider the actual development by the EDA of urban industrial parks in cities throughout the State.

Companion legislation now being prepared would permit the Port Authority of New York and New Jersey to issue tax-free revenue bonds to finance urban economic development projects in the cities of the Port district.

New Jersey's unemployment problems are shared by the other Northeastern industrial states. In the hope of building strength through unified effort, I began work two years ago to develop what is now the Coalition of Northeast Governors. New Jersey played a major role in developing the detailed action agenda adopted by CONEG two months ago.



8 But the centerpiece of that agenda is a proposed Regional Energy and Development Corporation. The Corporation would be a self-help mechanism for the states of the Region. It would issue taxable bonds backed by federal guarantees. It would finance projects to improve the supply of energy to the Region and provide other incentives for job-producing industry to locate here.

Unlike our own EDA, the new Corporation would not be bound by a \$5 million limit on financial commitments. Legislation implementing this far-reaching proposal will be submitted to the Legislature. It deserves your prompt attention.

n- We should not, however, overlook other avenues of progress. During the early 1900's the film industry grew and prospered in our State, but in the last 30 years it has languished and we lost those jobs. I established a Motion Picture and Television Commission by Executive Order. I urge you today to enact legislation to establish this Commission on a full-time basis and to provide the necessary financial resources to bring a share of this great industry back to its birthplace.

Transportation is an essential component in any effort to attract economic investment and jobs.

New Jersey began subsidizing its deficit-ridden railroads more than 15 years ago on an emergency basis. The program has grown by leaps and bounds over the years. It has been extended to bus lines. Many of the buses and railroad coaches in service in New Jersey today are owned by the State. Operating assistance costs the taxpayers some \$70 million a year.

This year, for the first time, we have conducted an extensive study of the State's role in public transportation. That review by the Department of Transportation demonstrates clearly that major reform of our mass transportation system is essential.

I propose that we create a Public Transit Agency within the DOT to centralize the regulatory functions now performed by the Commuter Operating Agency and Board of Public Utility Commissioners. The PTA should strengthen our methods of contracting for service. We must have firmer control over how public monies are spent by the private bus lines. We must provide fiscal incentives for them to cut costs of service and to increase ridership. The PTA should be empowered to supplant private management and take over operation of bus lines where such action is warranted. There should be provision for regional transit agencies to be established by a county or groups of neighboring counties.

Legislation encompassing the recommendations of this mass transportation study is being prepared. I urge prompt action to put this vital service on a more rational and effective basis.

I have been a continuing critic of the Port Authority of New York and New Jersey for treating New Jersey like a step-child to New York City. We have rarely gotten a fair share of the attention and funding needed to solve our transportation problems.

I shall continue speaking out when the Authority's actions warrant criticism. But I must acknowledge the beginning of increased concern by the Authority to New Jersey's problems. In recent months, the Authority has acted to improve access to and utilization of Newark International Airport and to renovate Newark's Penn Station. It has also played a helpful role in the development of Liberty State Park and in the search for new industry.

These positive results are encouraging, but do not by any means redress the long years of neglect of New Jersey.

The Authority must develop plans to improve the traffic flow to and from New York City, including significant advances in mass transit as well as freer access through the current vehicular tunnels and bridges. If necessary, we should investigate new access routes required to alleviate the traffic congestion caused by backups on New Jersey approach roads.

To argue that this would be monumentally expensive is to state the obvious. But the price tag shrinks when compared to the alternative: thousands of cars, buses and trucks backed up for 45 minutes and longer ten or twelve times a week waiting to get into the tunnel or onto the bridge, wasting millions of man-hours of work time each month and spewing uncalculated tons of exhaust emissions into the air without any benefit in return.

The suggestion that it must always be that way is intolerable.

Voter approval of the constitutional referendum permitting casino gambling in Atlantic City presents both an opportunity and a challenge for this State. Casinos and related activities can create new jobs, attract new capital to New Jersey, and spur the rejuvenation of our world-renowned tourist and convention industry, in Atlantic City and throughout our shore area.

But we must proceed with caution. It would be a disaster to create nothing more than an island of new hotels in a sea of urban decay, or a regional economy which will go bust the moment casino gambling is legalized in other states.

The implementing legislation must include restrictions on credit, on hours of operation, and on activities consistent with the family resort character of Atlantic City. It must include mandatory controls on internal casino operations and rigorous licensing standards to assure the integrity of ownership and management.

Because of the unique need for the most detailed possible legislative action, I propose that the bill incorporate the initial set of regulations for casino gambling, subject to later modification by the Commission. If we longer that way, it will be time well spent.



In addition, we have won approval for \$300,000 in federal funding for an Office of Casino Policy attached to the Governor's Office. This operation will enable us to track more accurately the movement of organized crime figures, their associates and their money and exclude them from casino operations and related industries. We will assure the honesty and integrity of New Jersey casino gambling at all costs.

We must do more to eliminate unnecessary delay of commercial and industrial projects caused by government's complex regulatory procedures. I will submit draft legislation creating a master application procedure for "one-stop" service from State government. This service will guarantee the applicant an answer on every permit necessary for his project within 120 days after filing the completed application.

One of New Jersey's major competitive advantages is its abundant supply of productive inventors. I urge your early approval of the proposed Office for the Promotion of Technical Innovation to help New Jersey inventors find the capital and other resources needed to turn their ideas into job-producing realities.

In addition, I propose to create a State Science Advisory Council to provide expert advice on complex scientific and science-related questions facing many State agencies. This Council, with a small federally-funded staff, would be charged with examining issues such as the best means of controlling environmentally-induced cancers, how to attract more research and development activity to New Jersey, and ways in which rapidly changing agricultural technologies can be put to work to enhance the productivity of New Jersey farms.

The Mortgage Finance Agency will sell nearly \$100 million in urban neighborhood loan program bonds this year to channel investment funds into redlined urban neighborhoods. These tax-free bonds will pay only 7.5 percent interest, saving \$11,520 over the life of a 30-year, \$30,000 mortgage at 9 percent. This innovative program will help restore strength and vitality to the cities of New Jersey.

The severity of the recent recession has taxed our unemployment compensation system beyond its limits. A Task Force I created has recently completed an exhaustive review of the situation. I shall submit legislation implementing many of this Task Force's thoughtful recommendations and necessary reforms to achieve a sound, efficient unemployment insurance system.

I have been committed to revision of our Workers' Compensation Laws to eliminate abuses, accelerate the process of granting awards, get more of the benefit dollar to seriously injured workers and to make the costs competitive with other state's programs.

We have been able to accomplish a great deal through administrative reforms. But legislation is needed to implement the remaining necessary changes.

A healthy economy is the cornerstone of society. Unless young people can find meaningful employment, reasonably aspire to home ownership and educate their own children; unless our senior citizens can live out their lives in dignity and security, all else is of little consequence.

### III. Fighting Crime

In 1973, New Jersey faced rising crime rates and a criminal justice system that was beginning to break down under the strain. Our system of dealing with juveniles failed to distinguish between those who clearly deserved punishment and those who merely needed supervision and help.

Antiquated and confusing criminal laws made prosecution of adult offenders needlessly difficult and contributed to an enormous backlog of cases. Rahway Prison had exploded, demonstrating as nothing else could that we could not safely house the criminals we sought to keep off the street. Moreover, there was no overall plan for improving the corrections system.

As a former prosecutor and judge, I came to the job of Governor with high hopes of making the fight against crime a more effective enterprise. I know each of you shared the same ambition. How have we dealt with this problem? What more must we do?

Our Department of Law and Public Safety has built a record of achievement, innovation in rooting out public corruption, fighting the illicit drug trade, breaking up anti-competitive business relationships, streamlining the State Police, and running what may very well be the best State civil law service in the country.

Because the corrections system needed a complete overhaul, I commissioned a distinguished Task Force to create the State's first Corrections Master Plan. One of its major recommendations was that the corrections function be performed by a separate department because of the direct connection between good corrections management and the public safety. We implemented that recommendation last year. I fully expect our new Corrections Department to attain the major objectives identified by the Corrections Master Plan with the full cooperation of the Legislature and Courts.



Those objectives are: to provide maximum security confinement of individuals convicted of violent crimes and others who must be separated from the community; to develop correctional alternatives for non-violent offenders who will respond to community-based programs in cooperation with local and county officials; and to implement special juvenile programs.

The rising incidence of juvenile crime is of special concern. In December, 1973, the juvenile delinquency law was revised to distinguish between juveniles who have committed adult crimes and juveniles in need of supervision -- those guilty of such uniquely juvenile offenses as truancy or incorrigibility. It fell to this Administration in its first months to implement this complex new law and the results are beginning to become evident.

Other states now follow our lead in recognizing that juveniles who have committed only typically juvenile offenses should be guided toward responsible adulthood while juveniles guilty of adult antisocial behavior should be treated more toughly, so that they will not continue to threaten society at large.

In many states, white collar crime has flourished in the Medicaid Program. The federal government last year singled out New Jersey for its outstanding efforts in policing Medicaid. We have increased civil and criminal penalties for Medicaid fraud. We increased manpower in screening and enforcement units to make it still more difficult to cheat Medicaid.

We have been equally tough in other forms of white collar crime -- our professional boards have increased their scrutiny and severity of their penalties to bring a new level of discipline to the profession they govern.

For the past two years, I have had the honor of serving as Chairman of the National Advisory Committee on Criminal Justice Standards and Goals. This

distinguished panel has now issued two volumes of detailed recommendations. I believe they will be well-received by the new Administration in Washington and will have a positive, long-run impact on the nation's criminal justice system.

#### Solutions for Action in 1977

What more should we be doing in 1977 to come to grips with the crime problem in New Jersey?

We must modernize, clarify and toughen the criminal laws of this State, and place responsibility for shaping the criminal law squarely in the hands of the Legislature where it properly belongs.

The proposed Penal Code provides for definite, rather than indeterminate, sentences fashioned to fit the crime and the criminal, a concept which is consistent with the proposed Corrections Master Plan.

It will clear the books of archaic and ill-defined laws and prevent the acquittal of defendants because of technical conflicts in our criminal statutes.

And I propose creation of a Joint Legislative Committee on the Criminal Code to guard against future conflicts and inconsistencies in the criminal statutes.

The Committee should be required to review every bill that would amend or supplement the criminal law and advise the Legislature as to how it can be integrated with the criminal code without inconsistency or overlap.

It should monitor the courts and make annual reports to the Governor and Legislature on the adequacy and consistency of sentences, the quality and effectiveness of prosecutions and the speediness of trials. The Joint Committee would also increase the Legislature's capacity to formulate prompt and well-reasoned responses to future court decisions which impose constructions on the criminal statutes.

Justice must be meted out more swiftly and certainly. An effective, speedy trial program requires a cooperative effort by every element of the criminal justice system and the Legislature. We are experimenting with administrative programs which streamline prosecutions involving violent offenders.

We must scale down our reliance on the criminal courts to deter every form of antisocial behavior. Effective alternative deterrents, including civil penalties and injunctions, can work as well as criminal penalties without clogging the criminal calendars.

The Legislature should relieve the criminal courts of some cases involving violations of labor law, election law and the laws on education. Tough fines and civil remedies enforceable through civil action should be substituted for existing criminal sanctions in these areas. We must confine the criminal law to the most serious and dangerous of anti-social conduct or abuses of public trust. Every proposed bill should be judged in terms of society's overriding interest in the speedy trial of offenders.

But we must be tougher on the quiet but growing menace of white collar crime. Pending legislation would substantially increase the penalties which can be imposed on white collar criminals and corrupt public officials and I look forward to its speedy passage.

I proposed last year that we abandon the custom of protecting from publicity juveniles who engage in violent crime and terrorism. The Chief Justice has established a task force to review this issue, and to propose means to insure that a judge is fully aware of a juvenile's past record when disposing of a case. We must develop legislation which increases our ability to deal effectively with violent juvenile crime.



We must also continue to press for the professionalization of law enforcement. At present there are five counties which do not have full-time prosecutors. It should be our common objective that by January 1978, these counties will have joined the State's professional law enforcement network on a full-time basis.

#### Advocacy for People

Consumers, senior citizens, the minorities, poor people, families yearning for clean air and water: whatever their specific concern, citizens in 1973 needed a state government that would help fight their fights. They wanted a government that would stand with them when the chips were down, not against them.

We were elected to provide that kind of active, involved, caring government. What is our record so far? What more should we be doing?

We have created the Department of the Public Advocate -- an agency unique among the 50 states. Its broad mandate enables the Public Advocate to truly represent citizens in their dealings with business corporations, government at all levels, and organized interest groups.

The Advocate has fought for consumers in public utility and insurance rate setting processes; saving as much as \$1 billion in consumer costs. The Public Advocate has fought to help individuals subject to involuntary civil commitment procedures, the developmentally disabled, tenants in enforcing the Truth in Renting Act, and the general public in enforcing our new Sunshine Law. Since 1974, it has processed 15,000 individual citizen complaints.

There was a lot of scoffing when I first proposed the Public Advocate concept. Today, 38 other states are using our Public Advocate as a model as they design similar agencies.

When I ran for Governor, I promised a government more responsive to the needs of the elderly. I promised benefits for older tenants comparable to the senior citizen property tax exemption. Our Tax Reform Program fulfills this promise.

I promised to establish a program of part-time employment for the elderly through a State Employment Job Bank. That has been done and will be completed in the coming year. I promised to begin distribution of surplus food to nonprofit organizations serving hot food to the elderly and that has been done. The number of senior citizens served by the Division on Aging's nutrition projects has increased three-fold from 5,000 to 15,000 over the past three years.

We have expanded our home health program for the elderly from \$1.2 million in federal Title XX funds in fiscal 1974 to \$3.2 million in fiscal 1977. Total expenditures on seniors' programs under Title XX have increased from \$4.3 million in fiscal 1974 to \$10.7 million in fiscal 1977. In addition, the Legislature authorized and we have implemented a drug reimbursement program for the elderly so that they will no longer have to skip a meal or two to pay for medication.

Last year, I asked for legislation authorizing local school districts to use school buses to transport the elderly. The Legislature has passed such a bill and I shall sign it into law.

We have expanded the senior citizen reduced fare program for railroads and subways and put 444 "kneeling" buses for the elderly and disabled into service.

In 1973, the costs of health care were soaring, yet little was being done to implement a hospital cost containment program that had been on the books for two years. Only a token amount -- approximately \$5 million per year -- was pared from hospital budgets in a rubber stamp budget review process. The health care consumer suffered the consequences. In the first year of this Administration's hospital cost control program, nearly \$100 million was saved and this saving was passed directly on to Blue Cross subscribers and the Medicaid Program.

The Department of Health has acted vigorously to prevent unnecessary proliferation of health care facilities. Our tough hospital cost control program has served as a model for other states seeking to contain the relentless increase in health care costs.

We have acted to help consumers deal more effectively with an impersonal and sometimes confusing marketplace. We have increased efforts to prosecute licensed individuals before appropriate licensing boards. The definition of charitable organization has been broadened to minimize fraudulent activities in fund raising. Court action has been used for the first time to shut down illegitimate charity drives which preyed on New Jerseyans' generosity.



Under a bill I signed last March, county and local consumer protection offices gained general enforcement powers. In the first 11 months of 1976, 10 county and 59 municipal consumer affairs offices saved consumers an estimated \$1.1 million.

Our physical environment continues to be the source of great concern and controversy.

The term "environment" means to me more than preservation, more than cleaning up our air and water; it means that New Jersey with all its problems -- its decaying cities, garbage dumps, and oil refineries -- must retain its unique character as a balance of contrasting, some times conflicting interests which make it a vital and exciting place to live.

In trying to strike the proper balance on particular issues, I have made hard decisions. I have blocked an unwarranted extension of the New Jersey Turnpike through the Pine Barrens. I have fought for a more cautious and thoughtful offshore oil and gas policy by the federal government, a policy which recognizes the interests of New Jersey in preventing incompatible onshore development.

I have sought sensible solutions to our water supply problems, and pressed for alternatives other than massive projects like the Tocks Island Dam.

In 1977, we will begin to draw water from Round Valley for the first time since that magnificent reservoir was created more than 15 years ago.

This Administration has put New Jersey in first place in new sewer construction; promoted urban park development; implemented the nation's first program to preserve farmland; initiated comprehensive solid waste legislation, planning and recycling; and developed sensible plans for preserving our coastal areas.

Together, we have safeguarded our economy and environment with enactment of new oil spill liability law. This bill will provide prompt and full compensation if a disastrous spill strikes our coast or wetlands, and furthers our efforts to find better ways to maintain a clean ocean. We have begun to deal with the sludge problem through a pilot program in Camden and we are facing up to other tough problems of ocean

I have been a proud advocate of the rights of people, no matter what race or sex, to work in jobs for which they are qualified.

Executive Order No. 14 requires affirmative action within state government to employ minorities and women at least in proportion to their population in the surrounding labor market, at all levels of responsibility.

The Legislature also passed and my administration is implementing sweeping legislation to guard against discrimination by firms holding contracts with local, county and state government.

New Jersey residents have never had access to the kind of television coverage of state news and public concerns that they deserve. We have fought through the courts and the Federal Communications Commission to get more adequate coverage of New Jersey by stations on the VHF band, all of which operate in neighboring states. Together with the Coalition for Fair Broadcasting, we have achieved a measure of success, despite an uncooperative FCC. Coverage, particularly by the Philadelphia stations, has increased markedly.

Our New Jersey Public Broadcasting Authority has partially filled the void through extensive coverage of special events, and nightly newscasts on its network of four UHF stations across the state. But much more needs to be done.

Negotiations have begun with WNET (Channel 13) leading to a new, more substantial half-hour program of New Jersey news jointly financed and co-produced by WNET and Jerseyvision. This program would be telecast seven nights a week on Channel 13 and Channel 12 on the VHF band as well as on Jerseyvision's four UHF stations. I shall include provisions for this new undertaking in my proposed budget.

This expanded news coverage will reach a much larger potential audience than Jerseyvision can reach alone. I believe this is an important step toward increased public awareness of public issues facing New Jersey. But it would be a mistake for anyone -- particularly executives of the New York and Philadelphia stations -- to conclude that this will solve the problem. We must continue the

long battle to get adequate coverage of New Jersey on all the television stations that are required as a condition of their licenses to serve the New Jersey market.

Our new Truth-in-Renting Act is being implemented to advise all concerned of their rights and responsibilities and to achieve smoother landlord-tenant relations.

We have taken important steps toward achieving equity between public and non-public education opportunities, primarily through passage and implementation of the non-public school text book law. We can be proud then, that during a period of great fiscal constraint this state government has been able to advocate for people and respond to their diverse needs.

#### Solutions for Action in 1977

In what other ways can we improve on that record?

(1) The automobile insurance market is in a state of crisis, not only in New Jersey, but across most of the nation.

Since November, 1974, economic realities have forced our Commissioner of Insurance to grant rate increases averaging 51 percent. Other metropolitan areas have granted even larger increases.



When New Jersey rejected still another round of rate increases last month, elements of the industry responded with threats to pull out of the state. Other well-orchestrated efforts to wage a war of nerves against the driving public.

Growing numbers of motorists are unable to afford the coverage required by law. An estimated 200,000 New Jersey motorists are driving without any insurance. Another half million have been turned away by the open market and forced to seek coverage through our assigned risk pool, even though most of them have clean driving records. And the number of such motorists is growing.

Fortunately, New Jersey -- unlike any other state -- has kept a lid on assigned risk rates so the driver with a clean record pays no more for insurance through the pool than he or she would be charged on the open market.

But stop gap regulatory measures are not enough to reverse an alarming national trend.

It is imperative that we establish a state reinsurance facility to guarantee the right of every driver to coverage by the company of his choice. Rates should be established on the basis of the driving record established by the insured and other objective factors within his or her control.

Involvement in an accident or conviction of a moving violation are valid reasons for charging a driver a higher rate; the driver's age, gender, place of residence, or changes in occupation or marital status are not.

The reinsurance plan must, of course, permit the companies to reinsure any risks they decline to carry for any reason and provide a fair formula for spreading excess losses.

And we must consider basic changes in the no-fault law, which has yet to fulfill its promise of limiting accident litigation and related costs. Our \$200 threshold is the lowest in the nation and simply makes no sense in these inflationary times. Let us raise it to a rational level so that only the more serious claims will reach the courts.

Finally, we must be fully prepared to set up our own state insurance facility as a last resort, should the insurance companies make good on their recent threats to stop writing policies and pull out of New Jersey.

Inflation continues to exact a hidden tax on all Americans, but most harshly upon our senior citizens and others who must live on fixed incomes. Nowhere is this more evident than in the sharply escalating cost of heat, light and telephone service.

The New Jersey Public Utilities Commission and our unique Public Advocate have earned national acclaim for their hard-nosed approach to applications for increases in the cost of these necessities of life. The PUC has rejected some applications outright. It has imposed a modified lifeline feature in telephone rates designed to ease the burden on the elderly and others who make relatively few calls.

There are limits, however, to what can be done by even the most innovative regulation under existing statutes.

I shall, therefore, submit for your consideration next month legislation enabling the PUC to institute a Lifeline Rate Structure for gas and electric, as well as telephone service. I urge you to act quickly and responsibly to assure that the modest utility needs of senior citizens and other needy New Jerseyans will be met at a cost within their means.

The cost of providing this needed relief should not result in higher utility rates for other consumers. I propose instead that the cost be borne by the existing tax on the gross receipts of public utility firms.

The legislation I send you will provide a cap on the yield from that tax to the municipalities in which generating stations and other utility installations are located. No municipality would suffer any loss in its present income from the gross receipts tax, but future increases in the yield from that tax would be allocated to support Lifeline Rates and other programs to benefit senior citizens.

We need more doctors and other medical and scientific personnel to provide health care in New Jersey. This Administration's commitment to expanding the facilities of the College of Medicine and Dentistry, and legislation signed this past year to raise the ceilings on medical school loans are important steps, but much more can be done.

We need a nurse practitioner's program. We should license physician's assistants to practice. We should encourage new physicians to serve in underserved areas by giving medical school loans in return for service in such areas. And we should remove any licensing requirements which do nothing to insure quality health care.

The Department of Health has moved aggressively to bring hospital rates under control. I urge enactment of a pending bill to extend the rate setting program to all hospital insurance plans.

Recently the National Cancer Institute published statistics suggesting that New Jersey ranks among the highest in mortality from a variety of cancers, suggesting, even, that New Jersey is the nation's Cancer Alley.

Last May, I created by Executive Order a Cabinet level Committee on Cancer Control and charged it with developing a comprehensive cancer control plan. Our highest priority is to find out who is contracting cancer as a result of which exposures, so we can design effective programs to eliminate exposure to cancer causing agents.

The Department of Environmental Protection is expanding its monitoring program to test the carcinogenic potential of air and water samples. My Cabinet Committee has applied for \$6.6 million in federal funding to implement this and other efforts.

It is essential that we establish an Incidence Registry to develop detailed statistics on exactly who gets Cancer in New Jersey and the extent and nature of their exposure to carcinogens and other suspected cancer-causing agents.



I shall ask the Legislature to authorize such a registry. New Jersey must proceed as no other state has done toward the reasonable and appropriate regulation of dangerous substances in our environment.

We should revise our public assistance law to put many idle workers now on welfare into public works jobs -- not mothers of young children or those who have physical, mental or emotional handicaps which make them unemployable, but healthy, able-bodied workers who have exhausted their unemployment insurance benefits and have turned to the general assistance welfare program for assistance.

Legislation now being drafted would authorize welfare officials to determine which of these workers are employable and require them to work on state and local public works projects. The program is being carefully designed to assure that it does not take jobs away from anyone now employed.

I urge your careful consideration of this program. We should clear our general assistance rolls of those who are fully capable of working as long as there is honest, productive work available for them to do.

We must also revise the program for Aid to Families of the Working Poor. Approximately one-third of the 38,000 families receiving assistance under this plan can receive greater benefits at less overall expense to this state if this program is revised to provide for a program for aid to dependent children with unemployed fathers. I urge the Legislature to approve this program and, in the process, save the state an estimated \$6 million per year in welfare payments.

Millions of New Jerseyans and visitors to our state joined in marking the nation's Bicentennial with thousands of special events across the state, culminating in the Ten Crucial Days Festival. The success of these celebrations should be a source of pride to all New Jerseyans. It was a tribute to our State Bicentennial Commission and its counterparts at municipal and county levels.

Another highlight of the Bicentennial Year was the establishment of Liberty State Park, with its spectacular view of the Statue of Liberty, Ellis Island and the New York-New Jersey harbor. More than 300,000 people have visited Liberty Park since the first 35-acre section was opened last June.

This modest beginning has attracted national interest. The 800 acres still to be developed holds tremendous potential. I believe it will become a great recreation and historic area without parallel in the Northeast.

Because of its importance to New Jersey and to the nation, I shall appoint a special commission to guide the future development of Liberty Park and assure that its potential is realized with taste and imagination. I am pleased that John T. Connor, the distinguished former U.S. Secretary of Commerce, has accepted my invitation to serve as chairman of that commission.

I shall be sending you a program to assure the future of our unique Pine Barrens and the huge underground reservoir of our water below them so essential to New Jersey's future.

This sanctuary of quiet streams, unspoiled woodlands and agriculture must be maintained as a balance to the cities and heavily developed suburbs of our state.

While awaiting a full program currently being prepared, I urge you to enact the Wild and Scenic Rivers Bill which will protect the Mullica River system from unplanned piecemeal development.

I urge your prompt consideration and passage of three bills now pending

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which would ease burdens and equalize opportunities for children attending non-public schools. The parents of these children carry a full share of the tax burden of financing our public schools. Ironically, not only do they receive no direct educational benefits from their tax dollars but, by sending their children to private schools actually lighten the load on the public system.

I urge prompt legislative action to provide that same subsidy for pupils' lunches in the non-public schools -- under the National School Lunch Program ---- now provided for pupils' lunches in the public schools. We should consider providing diagnosis of physical handicaps, speech therapy and non-instructional auxiliary services to public and non-public school children on an equal basis.

I have directed the Department of the Public Advocate to develop a system for the protection and advocacy of those with developmental disabilities and we have received a federal grant to carry out this new change.

In addition, legislation pending before the Senate would guarantee civil rights and treatment standards for the mentally ill. It should be enacted promptly.



## V. Restoring Integrity to State Government

When we came into office, we inherited a state government that lacked fundamental integrity. The public believed the awarding of contracts could be influenced for the price of a contribution to the right political party at the right time. State officials were not required to reveal their financial situations and were too often allowed to operate in serious conflicts of interest. The people were excluded when important state business was done by key committees, boards and commissions. Who could be proud of this kind of government?

We came into office pledged to run an open government and return integrity to the State House. What have we done to fulfill this most fundamental of all the promises we made to the people of New Jersey?

We now have a law to provide for the public financing of gubernatorial campaigns to stem the flow of private wealth into political hands, and this law is being enforced. We should extend public financing to primary campaigns. We must free the political process from the chains of wealth.

The shades of government have been raised so the public may view the internal workings of public bodies at all levels of government. Our Sunshine Law requires public notification of the time, place, and nature of business to be conducted by any governmental agency for the first time in State history. The sunshine of public scrutiny helps insure the integrity of state and local government.

This administration is conducting the state's business professionally, not politically. The state's revenue raising and spending practices are conducted openly for all to see.

\* An Architect/Engineer Selection Board screens applicants to guarantee the award of design contracts solely on the basis of merit and cost, not political favoritism. Saving to date, \$450,000.

\* Professional contracts, for accounting, auditing, stenographic and similar services, are awarded by competitive bid rather than by waiver, as was common practice in the past. Saving to date, \$715,000.

\* We eliminated favoritism in the selection of leased office space, serving unnecessary brokers' fees, and are experimenting with bidding of leased space.

\* We saved \$1.5 million in insurance costs by eliminating brokers' services and restructuring policies on a businesslike basis.

\* We award state time-deposit accounts by bid to the bank which offers the highest interest rate. Additional earnings to date, \$200,000. Previously, these deposits were placed in financial institutions chosen by the Treasurer.

\* We initiated "A Taxpayer's Guide to the Budget," providing for the first time an explanation of the State Budget in Simple English.

We have acted, not only to prevent conflicts of interest, but also to avoid any conduct that might create the appearance of a conflict. Guidelines issued by the Executive Commission on Ethical Standards strictly regulate the receipt of gifts.

We have made changes to encourage citizen participation in the electoral process. The cornerstone of our program is post-card registration, an unqualified success. This program with adequate safeguards, has made it easier and more convenient for 664,352 qualified voters to register since August 1974.

This administration has taken other unparalleled steps to insure the integrity of the governmental process. I have required some 275 top officials in the Executive Branch to disclose their personal finances. This disclosure program, which I initiated shortly after taking office, quickly became the subject of litigation and its constitutionality has recently been upheld by the Appellate Division of Superior Court.

#### Solutions for Acting in 1977

What further steps should be taken in 1977 to insure integrity to state government?

In my 1976 annual message, I called for an end to the archaic practice or "Senatorial courtesy" allowing one Senator to blackball a nominee, without any public accounting. This practice may constitute a courtesy to individual senators, but it constitutes a profound discourtesy to the public. I ask once again that it be ended.

Persons having business with various state regulatory agencies often appear before hearing officers. These hearing officers are often personnel who work in the agency or private individuals specially appointed to hear particular cases. This system often gives the appearance of bias in favor of the agency.



I propose creation of an independent Office of Hearing Examiners to hear all contested cases from all departments, with appropriate and necessary exceptions. Such an office should develop expertise in particular areas of the law, and yet maintain an objective and independent position. There would be significant benefits to the state and its citizens in the form of greater fairness, greater uniformity in procedural rules, and greater overall proficiency of hearing examiners.

The current New Jersey Conflicts of Interest Law is burdened with inconsistent standards and vague language. It should be overhauled and extended to municipal and county governments. It should spell out firm guidelines for government officials who represent themselves or others before government agencies, the types of contracts and business dealings in which they can participate, and what types of outside activities and employment they can accept.

The Executive Commission on Ethical Standards would be restructured to supervise local as well as state employees' activities. This action should help restore public confidence in government and public officials.

We have forced financial disclosure by top state officials through Executive Order, but it is time this policy was codified in statutory form. I will submit legislation to do this, and I urge the Legislature to adopt similar disclosure requirements for its own members.

## CONCLUSION

We are entering an election year. There are those who, whatever their motives, will belittle the record of achievement compiled by this Legislature and this Administration.

But the people will recognize in time that we have succeeded in capping the costs of government and reforming a bad tax structure; they know that we have used every tool at our disposal to create jobs; and they know that we have done far more to fight crime and to meet the needs of the ordinary citizen than prior administrations.

Perhaps most important, the people know that this Administration and this Legislature have brought new integrity and openness to State government in New Jersey. The snipers and distracters will make fun of us. Sometimes it is embarrassing to run an open government, sometimes the sunshine we have let into State government exposes our warts and blemishes along with everything else.

But the record is there for all to see. I am proud to be judged on that record, and this Legislature should be, too.

There is much work still to be done. The common intelligence is that nothing much of real significance can be accomplished in such a year, in which every seat in this Legislature and the office I hold will be at stake.

This first year of New Jersey's Third Century of Statehood seems to me to be a good year to break that precedent. I urge you to join me in that effort. The people deserve no less.