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### Governor Corzine's Remarks to the League of Municipalities

*As Prepared for Delivery*

Good Afternoon.

It's a pleasure once again to join you at this – the 93rd – annual meeting of the League of Municipalities.

Thank you so much Mayor Bowser for that introduction and for your leadership of the League.

And I look forward to working with incoming President Tim McDonough.

Mayor Langford, congratulations and I am hopeful and confident that we'll work together to make Atlantic City as great as it can be.

Former Governors Florio, DiFrancesco, and Bennett—  
Speaker Roberts—  
All my colleagues in the Legislature—  
All elected officials—  
All my Commissioners—  
Executive Director Dressel—  
And dedicated public servants of New Jersey—

I'm told there are 20,000 or so visitors in Atlantic City taking part in this meeting. So - I have just one request: Go shopping, go gambling – Spend, baby, spend! One of these years, I hope to join you in a bit of revelry and fun. Regrettably, this is not the year.

As a nation and a state, I was reminded recently of a "WWII" Winston Churchill charge: "If you're going through Hell, keep on going!"

That imperative – "keep on going" – is exactly what we—our nation, our State, and our cities—must do.

If we "keep going" thoughtfully and strategically, we can hope to make the trip less painful and come out on the other side - stronger and better prepared for recovery.

We must all recognize...these days of deep economic recession are unrivaled in severity except by the Great Depression.

Market gyrations and economic data catch our full attention.

People watch hourly changes in the Dow Jones like it was a heart monitor in a trauma ward.

But the real challenge of this economic meltdown is borne by our fellow citizens. We can talk about the world in the context of default rates...or bailout debates...but that's cold comfort to a homeowner whose mortgage is 150 percent of his house value, or a single mom who has lost her job and has no health care.

The human toll is high.

High-brow financial talk does nothing to convey the everyday anxiety of families in crisis. When a father stands to lose his job, his health care, a pension or home, the statistics become insignificant.

Talk does nothing for the family struggling to make ends meet. Talk does nothing for the homeowner facing a double-digit property tax hike.

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On Tuesday, I joined Mayor Robinson-Briggs of Plainfield in visiting a local food bank. The number of client visits to that pantry are up 40 percent and donor gifts are down 10%...that's a real crisis.

With human circumstance framing the challenge, my commissioners and I have been focused single-mindedly on this crisis and the actions we might take to cushion the fallout from the nation's economic recession.

Our imperative is to "keep on going."

To that end, four weeks ago, I asked the Legislature to support steps that would ease, if not resolve, the problems New Jerseyans face putting food on the table, paying the mortgage, or heating homes.

As a society, we have a moral obligation to extend a helping hand to the most vulnerable.

At that special legislative session, I proposed an economic stimulus and recovery program that offers support to residents in foreclosure...to municipalities searching for liquidity...and to banks that can offer credit to New Jersey's small businesses.

In the executive branch, I reported we were accelerating the timing of ready-to-go capital projects for highways, bridges, tunnels, sewers, and schools.

Last week, in Metuchen with Mayor Vahalla, we released \$78 million of State funds for 365 local transportation projects. Now – we will accelerate, by at least six months, infrastructure projects of nearly \$4 billion that are planned, authorized and financed.

These projects will shortly translate into thousands of new jobs for New Jerseyans— at a time when the private sector is pulling back.

We also proposed a \$3000-per-employee grant to any business that creates and maintains a new job for one year, a program designed to encourage job growth among small and medium-sized businesses.

Finally, we offered a series of corporate tax reforms that will promote job growth as the economic contraction inevitably swings to expansion.

These changes to business taxes and grants competitively lay the foundation for strong future growth to make up for today's lost output.

The legislative package necessary to enact these initiatives is moving quickly in the Assembly and the Senate and I expect to be signing bills into law over the next couple of weeks—with all legislation passed and signed before the end of the year.

As to actions that do not require legislation, all of the necessary steps for implementing our recovery plan have been put in place.

In this regard, I want to thank my legislative partners and commissioners for their focus and quick response. Consistently, New Jersey has been out in front of this crisis from its inception, and we will continue to be proactive in offering a helping hand to our citizens while building a foundation for a strong recovery.

We must keep on going.

While we obviously can't stop a national or global economic tsunami, we can moderate its impact, as yesterday's New Jersey unemployment numbers may be confirming.

Of course, we'll never be happy with 6% of our workforce unemployed, but we know something is different when our unemployment rate is a full one-half-percent below the nation's 6.5% rate.

Realistically...in the absence of an economic miracle...my administration has turned our attention to considerations that you as Mayors, and I as Governor, face – how to meet our constitutional obligations to balance budgets while maintaining critical services in the face of rising costs and falling revenues.

Now - for perspective, let me review our state's fiscal position.

As you may recall, the state collected revenues and spent \$33.5 billion in Fiscal 2008, which ended last June.

This year, Fiscal 2009, we reduced our budget to \$32.9 billion—a \$600 million reduction, representing the largest absolute spending cut in State history.

Regrettably...it's not enough.

Current revenue estimates require us to make \$1.2 billion in additional cuts this year. Early estimates for our 2010 revenues will require potentially another \$1.7 billion in year over year cuts.

That means that in two years, the state budget may drop to \$30 billion, a reduction of over 10% in actual dollars. That's \$3.5 billion in cuts – cuts that represent the entire amount of money needed to...fund aid to municipalities and higher education.

I guess you all get the picture. As Dick Codey quipped here at the league in 2005 – "We're pretty much broke."

Fold in today's recession...and he was more than pretty much right.

To meet these challenging budget realities, we have reduced the State's workforce by nearly 4,000 people... eliminated departments... mandated cost sharing for employee health care... initiated a defined-contribution program for higher wage employees...and cut funding for many aid recipients...like all of

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you.

We are continuing a hiring freeze and shrinking the workforce through attrition. We are scrutinizing every expenditure while pressing our suppliers to discount contracts.

We also recognize we can't cut spending as needed without an additional reduction in personnel costs. While we remain true to working with the representatives of employee organizations, I can only hope that the State will not be forced into a last-resort position of layoffs.

I am hopeful we all will conclude that in this time of recession and fiscal stress, the greater good is to keep as many people working as possible by having everyone pitch in by making a little less.

Make no mistake, after prioritizing and cutting our budget on a line by line basis, we will spend no more than \$31.7 billion this fiscal year.

To say the least, all of this is unattractive, but it is absolutely responsible and constitutionally required. Our only advantage is that we started early, and we are ahead of the game. That advantage aside, the pain is substantial, but we will "keep on going."

I know that's pain you feel as well.

Your choices...like mine...are limited.

Unfortunately, history is clear: deep recessions and financial panics with the accompanying loss of wealth and consumer confidence are followed by many months, if not years, of difficult economic times.

In this context we are planning...we all must plan for current fiscal challenges to continue for at least the next 18-24 months.

Further, if there is any economic lesson in history, it's that raising taxes in a recession must be an absolute last resort. We need to stimulate the economy. That's my objective. I hope it's yours too.

Keeping this in mind, it is hard to expect people who are struggling to keep their jobs, hold onto their health-care, or their retirement savings to shoulder property tax increases that are two-to-three times inflation...and after yesterday's CPI report, maybe even deflation.

Unfortunately, this economic imperative is in contrast to what I hear is actually happening.

In order to meet projected budget shortfalls, I understand that many municipalities are seeking property tax increases in the range of 6-7%, some even more.

In normal times, these numbers would be alarming.

In a time of deep economic crisis, such hikes are unacceptable.

That's one reason we instituted the 4-percent levy cap in the first place. Now...more than ever...it's imperative that we enforce that cap – not waive our way through it.

And I want to help you do just that.

Today I am asking the legislature for the authorization to temporarily defer 50% of next April's required pension payments by all municipalities and counties.

By taking this unusual, but necessary step, my intent is to help our municipalities get through this recessionary period at the same time we dramatically reduce the pressure on property taxes.

Let me be clear: This is only a deferral. We will again require 100% funding by 2012—and those payments will be larger so as to compensate for the lowered level of contributions over this three-year period.

For those of you who choose not to use the money from the deferral to support current operations, you will be free to reserve the full pension-contribution payments you are scheduled to make, and then draw down that reserve for future payments.

As much as I prefer another course, I propose this deferral simply as a practical bridge over today's economic circumstance while reflecting the State's obviously reduced fiscal capacity for direct aid.

Given the unprecedented nature of the deferral, this action must translate into property-tax relief, not business-as-usual tax increases.

Taxpayers deserve the help. And, they are demanding it.

I also make this recommendation recognizing that in the last three years, the State has contributed more to the pension system than it has over the past 20 years combined. And, local units of government have done even better.

That said, today, New Jerseyans face an economic emergency and policymakers must respond. As we take this step, we must pledge...once the recession passes...both to return promptly to our regular pension schedule and to holding down property tax increases.

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Keep in mind analogies in other venues...restructuring mortgage obligations is the preferred path for mortgage delinquencies.

Restructuring debt is a common practice in corporate lending arrangements for viable companies. And, circumstances today in our public finances demand equal flexibility.

For our public employees, this temporary deferral will not endanger their retirement security since it only delays a current payment—not excuses that payment.

In the absence of the deferral, some communities would have to raise taxes unbearably at precisely the wrong time or potentially break a basic covenant with the public by compromising the quality of public safety, education, or in providing a safety net for the most vulnerable.

Again, substantial tax increases...especially at a time of deep recession...should be an absolute last resort.

It is in this light I make this recommendation.

This action, if approved, will offer \$540 million of combined relief to municipalities, counties, schools, and local authorities over what otherwise would be required in payments next spring. Over 60% of that deferral will be directed to municipalities.

As the Churchill dictum advises, we must “Keep On Going.”

Now let me turn briefly to three other major points of common concern...Ethics, Government Efficiency, and your favorite topic...COAH.

History has shown that crises can present opportunities for systemic change, otherwise held back in good times by a preference for the status quo.

Consider, out of the Great Depression came Social Security, unemployment insurance, the FDIC, and great public works projects like the Lincoln Tunnel or the electrification of the rail line between New York and Washington.

Out of the turmoil of the 1960s came Medicare and Medicaid and both the Civil Rights and Voting Rights Acts.

Many of us look to President-Elect Obama to bring that type of transformational change out of this current economic crisis in the causes of healthcare, education, and energy policy.

Here in New Jersey, we also have an opportunity to make good out of bad. In these difficult times, people look to their government for help and support.

People understand that only the public sector has the capacity to enact a meaningful stimulus program. People know that government is the last safety net for the most vulnerable. Today, people demand more public oversight and accountability in our financial markets and with public spending.

In today's circumstances, people...more than ever...want a government they can trust—a government they can believe in.

People would like to believe that government decisions made are intended to serve them; not a politician's personal agenda.

For New Jerseyans, this desire is doubly true because of the failure of some—a repeated breach of the public trust by a minority of those who serve.

One important step to strengthen the public trust is to pass the “campaign finance and ethics reform” package I laid down in September—the final leg in a series of reforms implemented since taking office.

By ending pay-to-play and wheeling, by changing how the political system actually works, we will say to the public we want their trust.

Those of us in public life must be prepared to go beyond our comfort zone to break through the thick layer of distrust that too often exists in New Jersey between officeholders and the people they represent.

I ask you for your help in completing this agenda.

It's a time of crisis and it's a time to change.

As to the issues of Local Government Efficiency, the current fiscal crisis has stimulated significant entrepreneurial efforts by many of the communities represented here today.

I congratulate many of you on your efforts.

Necessity has been the mother of invention with regard to cost-sharing agreements for a wide range of police, fire, and EMS services. Sharing municipal court facilities and maintenance equipment is happening. The agenda for change is happening.

Savings from shared services is holding down spending for many towns across New Jersey...savings that could not be more timely.

I repeat, keep on going.

The consolidation and shared services studies of LUARCC are ongoing and legislative recommendations are being prepared.

Let us all agree that current circumstances make consolidation or shared services more possible, necessary and desirable.

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So...yes...in these unprecedented times, there is much we can work on together—some addressed, others still to be considered. My administration is always open to the possible.

I hope you read today's proposed deferral of pension payments as both practical and one of goodwill.

Speaking of goodwill... before I close, let me ask for yours...as I say a few words about a subject I know is on the minds of many in this room -- COAH.

Let me be clear, I'm not here to make any announcements or policy shifts. I have been reviewing the many suggestions and of course the legal challenges surrounding this issue.

I am always open to good ideas and solutions that meet the complex objectives and constitutional requirements embedded in our affordable housing policies.

That said, our 'end game' must remain true to achieving our practical and legal requirements to expand and preserve affordable housing opportunities.

Now - let me close by stating once again the obvious: These are difficult and challenging times - for our cities, State and nation.

Confronting those challenges is our responsibility. If we do, we can make a real difference in our people's lives.

There is no excuse for any of us not to explore every idea, every opportunity and to work every day to lighten the burden on the shoulders of our citizens.

There is no excuse not to act.

It should not be lost on anyone that when Churchill charged all to "keep on going," the allies, with high costs, won the war and came out stronger...and came out better prepared...for the future.

We too will come through this stronger and better prepared.

Let's keep on going.

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