

FISCAL YEAR 1983 BUDGET MESSAGE
OF
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GOVERNOR OF NEW JERSEY
TRANSMITTED TO THE FIRST ANNUAL SESSION
OF THE TWO HUNDREDTH LEGISLATURE

Mr. President, Mr. Speaker, and Members of the Legislature:

INTRODUCTION

The Budget I submit to you today is a fiscal document, a long range program for financial stability, and a clear order of priorities for the years ahead.

It attempts to come to grips with severe problems caused by years of neglect, misdirected appropriations, and official inattention.

I believe it succeeds in that task.

When my staff and I began work on the Budget, an increasingly gloomy picture emerged.

The fiscal day of reckoning which many of us had predicted was upon us. One time revenue boosters, tax collection accelerations, and other methods and gimmicks which had become almost commonplace in recent years had only postponed and worsened our confrontation with reality.

When my Administration assumed office less than two months ago, we discovered a budget shortfall of \$527 million, a sum far in excess of original expectations or reasonable projections.

A transition committee task force under the very able leadership of William Tremayne spent many hours examining the State's fiscal situation and its work proved invaluable in the development of this document.

As a first step, departmental budget requests were reduced by more than \$475 million. We informed department officers that many programs in their jurisdictions will have to be operated with fewer employees under a selective job freeze expected to save \$45 million.

This budget does not merely require sacrifice; it demands it.

Every cabinet department, every division, every bureau and every office has been required to institute operational economies.

These actions were taken to pull State government back from the edge of the fiscal abyss it faced at the outset of 1982.

I want to emphasize, however, that this budget is not a one time demand for efficiency and economy, only to be followed a year from now by a resurgence in uncontrolled spending.

A lean government will be an ongoing and continuing goal of this Administration.

As part of our commitment to that goal, I have recently created an Office of Management Services which will be responsible for not only uncovering waste and duplication, but for applying money-saving techniques and practices to all government operations and programs.

But, while the situation we found was perilously close to potential fiscal chaos, it presented us with a striking opportunity. We could, by redrafting our aims and goals, alter the course of State government in a significant and lasting manner.

It was clear that we could not permit government to continue on the path it had been following. Our State was continually on the edge of fiscal trauma, literally living month to month.

This approach brought New Jersey to a point at which its transportation systems have fallen into crisis-level disrepair, our prisons have become suffocatingly overcrowded to the flash point of violence and tragedy, our business and industrial economic base is shrinking steadily under the increasing weight of taxes and regulations, our crime rate continues to swing upward, and our job employment training programs are virtually nonexistent.

The high promise of government has not been kept. Government has not fulfilled its most basic and fundamental obligations to the people it was sworn to serve.

It was essential that the State's priorities be redefined and that we provided the most effective means to utilize available resources to fulfill those priorities.

That redefinition provided by my Administration will enable us to attain the goals we all share—creating and retaining more jobs, improving law enforcement, relieving prison overcrowding, extending assistance to the working poor, vastly improving our transportation network, rehabilitating deteriorating neighborhoods, and maintaining quality education.

To reach those goals, it became clear that expenditure reductions would not be sufficient. There were those who counseled additional and deeper cuts—recommendations I did not heed.

Rather, in concert with a broad program of cost-cutting, I decided that more revenue would be required.

Raising additional revenue, no matter how laudable the cause, is a difficult choice.

In the current circumstances, it is necessary.

The revenue program in this Budget is a modest one and, as you will discover, will be utilized exclusively to provide the services to our people which have been denied or short-changed for so long.

It is a major step toward meeting the priorities we have established, not simply in the 1982-83 fiscal year, but for several years into the future.

It is a clear, well-defined program designed to provide each department with a statement of their mission, responsibilities, and obligations.

It is a sharp departure from the budgets of the past which carried little foresight and which were designed merely to carry government from one year to the next.

The major thrust of this Budget is toward the kind of economic revitalization and recovery which I feel is crucial to this State and its people.

The creation of jobs, through a number of proposals in this Budget, has been established as our first priority. The programs I have recommended put us on the path toward rebuilding a

sound economic base and returning New Jersey to the robust economic health it once enjoyed.

THE IMPACT OF THE PAST

The State of New Jersey is the only state in the Northeast that maintains a "triple A" bond rating from both bond rating agencies. It is not going through a major financial upheaval like many other states, where in some cases revenues are falling substantially below budgetary estimates. However, as I clearly indicated above, there are danger signs. In the past, too many onetime adjustments have been made for budget balancing purposes. In the past, too many programs have been legislated with an eye toward short-term political benefit, often ignoring the potential of long-term costs. Increasing emphasis was placed on debt financing, often without careful examination of the long range financial burden.

Let me outline some of these past developments that have brought us to this point. In fiscal year 1977, the personal income tax and the corresponding "Thorough and Efficient" State Aid legislation were enacted. At that time, we were told that the growth in revenues from the personal income tax would provide sufficient funds for the growth in Education State Aid. In the very first year of the program, revenues were \$64 million short.

Since the beginning of fiscal year 1977, the General Fund has, in essence, provided almost \$500 million for expenditures that should have been supplied by the income tax. This caused the underfunding of other areas of the budget. Funds were drained off and budget shortfalls created.

In fiscal years 1979 through 1982, the Budget was too often balanced by actions to generate onetime revenue gains. These short-sighted gimmicks satisfied present budgeting needs at the expense of future ones. Specifically, balancing the fiscal year 1979 Budget was aided by the switching of the Homestead Rebate Program from a twice-a-year payment to a once-a-year payment. By doing so, the State Budget gained a onetime windfall of \$130 million.

In fiscal year 1980, another series of actions were implemented to balance the Budget. The payment date was changed on the business personal property tax program in fiscal year 1979 to build a surplus, the increase in the Pharmaceutical As-

sistance for the Aged program was charged to the Casino Fund, legislation was passed to change the formula for Equalization Aid for Education and to reduce State reimbursement for education transportation aid from 100 to 90 percent, and vehicle registration fees were increased. In total, these actions and others resulted in an additional \$195 million in resources.

The fiscal year 1981 Budget was balanced substantially in part by the passage of the corporate income tax increase (\$135 million); the use of a onetime budget savings when the public utility gross receipt and franchise tax was transferred to a State-collected tax rather than a locally collected tax (\$50 million), generating a onetime savings because of a date change between the two fiscal years; and a change in the reimbursement schedule for education transportation aid from 90 percent of the prior year to 90 percent of the two years' prior (estimated savings of \$18.5 million).

In the current fiscal year 1982, necessary revenues to help balance the Budget were provided by changing the manner in which the State collects the corporate income tax. This gimmick enabled the State to gain a onetime budget savings of \$60 million.

The 1982 Budget also contains a onetime savings with respect to the insurance tax. Instead of the franchise tax being distributed directly to municipalities, the State now collects it. By making this change and by changing the distribution date, the State gained a onetime windfall of \$18 million.

While all these "emergency" and "onetime" budget actions were taking place, the State was in the process of "locking in" long-range expenditure commitments in a number of areas.

Aid to education has increased by almost \$1 billion since 1976. Since fiscal year 1977, the first year of Thorough and Efficient, through fiscal year 1982, aid has increased by \$672 million, or an average of \$134 million per year. In fiscal year 1982, aid increased by \$190 million. These increases have come at the expense of other parts of the Budget.

Pension and fringe benefit costs have increased drastically. From fiscal year 1979 thru fiscal year 1982, the total costs to the State have increased by \$256 million, or 52%. For the State employee portion, the increase has averaged \$45 million over the last two years.

Debt service costs to the State have almost doubled since fiscal year 1976. Total debt service requirements have increased from \$112 million in fiscal year 1976, to \$221 million in fiscal year 1983. Currently, \$1.5 billion in bond authorizations remain unissued. While debt service represents only 3.5% of our total budget, at today's prevailing interest rates, debt service costs will continue to rise.

In each of the last three fiscal years, General Fund appropriations have exceeded current revenues by approximately \$100 million. Specifically, appropriations exceeded revenues by \$94 million in fiscal year 1980, by \$137 million in fiscal year 1981, and by an estimated \$94 million in fiscal year 1982. This has resulted in a continuing draw-down of surplus.

The budgetary actions of the past are clear. Onetime adjustments were utilized to generate the necessary resources to provide for the adequate funding of programs where costs have risen substantially. Unfortunately, employing onetime adjustments to solve a current year problem only exacerbates the problem in the next.

The revenue base has not kept pace with the expenditure base. Either the revenue base must be made more elastic, or long-range expenditure commitments must be pared. This Budget attacks the State's long-range budget problem from both ends.

EFFICIENCY IN GOVERNMENT

The transition period has not afforded me or the members of my Cabinet adequate time to conduct a comprehensive view of the operations of the various departments of State government. Nonetheless, I have challenged each Cabinet member to execute a thorough review of his department's operations, and to work toward spending reductions and organizational changes consistent with staffing and operational constraints imposed in their budget.

I look forward to the identification of specific areas where the implementation of modern business and office management practices and technologies can provide operational savings. There are administrative regulations that can be repealed, and program areas that can be eliminated where there is a duplication of effort.

I am aware that the impact from this review will not become evident until later in my Adminis-

tration, but it is important that this effort begin now in fiscal year 1983.

The recommendations in this fiscal year 1983 Budget reflect the imposition of a selective job freeze to save \$45 million. I anticipate that these savings can be made up through the normal attrition of State employees, but could require selective layoffs. The final decision, however, will depend upon the specific recommendations made by my Cabinet. This reduction-in-force will not have an impact on those positions that are vital to the safety and health of the residents in our State institutions, the State Police, or other critically important functions of the government. The implementation of these savings will be accomplished by withholding \$45 million from the amount necessary to cover the salary program costs associated with the collective bargaining agreements now in place. This action is not to be construed as an abrogation or diminution of any contractual agreement. It is simply an administrative mechanism to reduce governmental expenditures.

In this way, departments will be given maximum flexibility to allocate resources as they see fit and to determine where the expenditure reductions will be incurred.

Additionally, I have made specific reductions in appropriations for various expenditure items throughout the various departmental budgets. Specifically, I have increased the normal turnover savings taken from the departmental salary accounts by \$11.5 million to \$39 million. This action, combined with the underfunding of the salary program account, will require the Cabinet to evaluate carefully their employee complements and tighten their belts just as New Jersey residents must do.

The total amount I am recommending for "travel" is reduced by almost \$200,000 below the amount expended in fiscal year 1981. The total amount for "other services" is reduced by \$252,000 from the expenditure level of fiscal year 1981.

I have just outlined some initial steps which I will take to bring efficiency and effectiveness to State government. This Administration will continually strive to bring the best government to the citizens of New Jersey at the lowest possible cost.

The budgets of all departments were squeezed and cut. I took a difficult problem and seized this as an opportunity to change the State's direction by beginning to get government costs under con-

trol, and then launch a recovery program in order to promote economic growth in the State.

ECONOMIC RECOVERY: TRANSPORTATION

The emphasis in this Budget is to improve and foster the State's economy. The first important component of my Economic Recovery Program is transportation. A sound transportation network is essential to the economic development of New Jersey. The adequacy of a state's transportation infrastructure is a key element in decisions by business on locating or relocating. Specific areas of importance are the ease with which employees can get to and from work, the accessibility to airports and rail lines, and the availability and condition of highways.

Since 1961, the percentage share of the State Budget devoted to transportation has decreased from over 19.5% to less than 5%, a decline of almost 75%. A substantial backlog of transportation needs has developed. While the Legislature has seen fit to deal periodically with the short-term needs of transportation, the long-term requirements were sadly neglected.

The State's Department of Transportation has identified \$3.9 billion in State and local highway projects and rail freight needs in its 7-year Capital Improvement Plan. Specifically, \$1 billion is needed for Interstate Highway projects, \$1 billion for State highway projects, \$357 million in State aid for county and municipal roads, and \$27 million for rail freight.

The New Jersey Transit Corporation has identified over \$1 billion in needs over the next 7 years for our mass transportation network. Of this, \$339 million is needed for bus operations, rolling stock and support facilities; \$234 million for rail rolling stock; and \$199 million in major rail construction.

We must start immediately to make these essential repairs and improvements to our transportation system. The cost of this undertaking is large, but we must address this vital aspect of future economic development. Therefore, I recommend removing the sales tax exemption on motor fuels. This will result in an estimated \$200 million in additional revenue.

I suggest that consideration be given to dedicating the revenues derived from this "user-based

fee" to fund our currently underfunded transportation system as well as 5¢ of the current 8¢ excise tax on motor fuels to assure adequate and stable funding for transportation, including 10 percent of all transportation expenditures specifically earmarked for local transportation aid. If the Legislature has any doubts about this proposal, perhaps they would want to put the dedication issue on the ballot. Then, if it should not be approved, it would self-destruct in 1984 and the funds withdrawn from the fiscal year 1984 budget.

If we do not provide adequate and stable funding for our transportation needs, roads will continue to deteriorate, bridges may have to be closed, and mass transit fares will increase dramatically. I have confidence that the average citizen is willing to pay for well maintained and safe roads and improved mass transit. The additional cost per car driven 12,000 miles per year will be only \$35.

Whereas I am concerned about the continued use in New Jersey of broad-based revenue sources for dedicated purposes, I believe that the needs are so great (coupled with the fact that the revenue sources are user-based), that this action nevertheless is justified. The overriding concern here must be the State's transportation need, a need brought on by neglect and the failure to develop an adequate and stable transportation network for the State.

I am today recommending substantial increases in appropriations for those programs that will significantly improve New Jersey's transportation system and lead to an adequate and stable transportation network. Specifically, I am recommending a total fiscal year 1983 appropriation of \$407.4 million for the Department of Transportation. This represents an increase of \$117.1 million, or 40%, over the current fiscal year.

In addition to providing needed funds for an area key to future economic development, these appropriations will have a direct and significant impact on New Jersey's depressed construction industry. They will help stop the decline in the total dollar value of construction contracts awarded, which has decreased by \$1.1 billion from 1977 to 1981. They will help in the construction trades employment area as well, where there are currently 14,000 fewer people being employed than there were 7 years ago. This resultant added employment of approximately 3,300 jobs will have a positive multiplier effect of more income for our residents and less income subsidy programs for the State.

Finally, these improvements mean safer modes of transportation and lower costs in terms of maintenance and repairs.

ECONOMIC RECOVERY: BUSINESS CLIMATE REFORMS

The second major component of my Economic Recovery Program involves direct and positive action to improve the business climate in New Jersey. Two of the more important means which governments employ to influence the business climate are through the business tax and regulatory structures.

The New Jersey net worth tax has always been a bad tax for business. It discourages new investment; it is regressive; and during periods of economic decline, it often taxes a business's real worth rather than its earnings. For example, in 1979—the latest year of published statistics—76,000 businesses paid over \$18 million in net worth tax while their income tax liability amounted to only \$600,000.

Therefore, I am recommending a 25% reduction of the corporate net worth tax along with allowing businesses to take a \$100,000 deduction prior to calculating their tax. I am also recommending the elimination of the net worth tax on indebtedness owing directly to major stockholders and deleting a requirement to pay the net worth tax on the highest of several alternate bases. These recommendations would lower corporate tax liability in fiscal year 1983 by an estimated \$31.5 million, but more importantly, it will begin the elimination of a punitive and anti-business developmental tax. Indeed, with the \$100,000 deduction, well over 100,000 small businesses would be exempted from this tax altogether.

When the current corporate income tax rate was increased to the level of 9%, it jeopardized our favorable competitive position with a number of states. For example, the corporate income tax rate is 8.7% in Delaware, 7% in Maryland, 8% in Rhode Island, 6% in North Carolina, and 6% in South Carolina. Recent economic studies conducted by the Economic Policy Council have clearly demonstrated a long-term, positive effect on the State's growth and job creation as a result of reductions in this tax. Also, other studies have shown, and discussions which I have had with business leaders have confirmed that the direction in which busi-

nesses perceive their State tax burdens are going to be as much or more of a critical factor in affecting business location and activity decisions than the absolute level of these taxes.

I am recommending a phased reduction of the corporate income tax beginning in January of 1983, from the current rate of 9% to 8-1/2%. This will lower corporate tax liability by an estimated \$13.5 million in fiscal year 1983. The continued phased reduction of this tax will depend upon future economic conditions. A year from now, if these conditions are favorable, I will recommend a further reduction in the corporate income tax rate along the lines and consistent with the program outlined last year.

I am not one who contends that the benefits of my tax reduction program will be instantaneous—revenues generated will not overnight offset revenues lost. Nonetheless, to delay this important part of the budget package is to delay the creation of new jobs and the future economic development of the State. As with transportation, improvement in the business tax environment is long overdue and is the key to the State's economic development and the creation of added employment opportunities.

The new Department of Commerce will play a meaningful role in enhancing the business climate in New Jersey. It will provide a comprehensive range of services to the business community. One of its key activities will be to assist all business in working their way through the myriad of regulations promulgated by Federal agencies and reducing or eliminating unnecessary and economically unsound State regulations. Providing an adequate level of funding for the Department of Commerce is vital to job creation in New Jersey. For the Department of Commerce, therefore, I am recommending an appropriation of \$7.8 million. These efforts to improve the business climate will be enhanced by our emphasis on the job training/work program I have also proposed, and the efforts being made to rehabilitate neighborhoods in our urban centers.

ECONOMIC RECOVERY: STATE IMAGE

A third major component of my Economic Recovery Program deals with enhancing the image of New Jersey. It is imperative that we continue to make significant strides in heightening the financial, economic, and social perception of our State.

This component of my plan is tailored to fit with improvements in the transportation system and interlocks with the business tax environment. I made this point clear in my address before the Chamber of Commerce in February, and emphasized that the assistance and cooperation of business in this effort were essential. We have "to spread the word" that New Jersey offers within its boundaries diversity and developmental opportunities well in excess of most states—proximity to industrial/financial centers, ocean ports, favorable business climate; a diversity of rural, urban, and suburban locations; and a growing network of employment and recreational opportunities.

Therefore, to help "spread the word", I am recommending for the tourism activities within the Department of Commerce, a \$3.5 million appropriation, almost five times the amount appropriated in the current fiscal year. These additional funds will be employed to enhance further the positive image of New Jersey, and to ensure the growth of industry. They will accommodate the establishment of a more comprehensive State promotional and advertising program.

For similar reasons, I am recommending a \$300,000 (or 9%) increase for the State Council on the Arts. This may not seem like a large sum within a \$6 billion Budget, but spent creatively, these funds will bring added distinction to New Jersey's cultural programs.

If we are to preserve and promote jobs in our cities, citizens must be guaranteed a greater degree of personal safety. Safe streets, adequate correctional facilities, and taking a tough stance with the lawless are essential.

We have inherited a crisis of prison overcrowding. The Kugler Report projected that 3,550 new State inmate spaces would be required by January, 1983. Currently, over 1,000 prisoners who are the responsibility of the State are being held in county facilities. Actions, such as leasing the Fort Dix Stockade, expanding the Trenton correctional facility, building the new Camden facility, and the cells generated through the County Assistance Program will help alleviate some of the problem, but we need to take direct and responsive action to eliminate it. I am working intensively on a comprehensive program to deal with the various facets of the problem. I expect to present these details shortly.

Key to these recommendations is adequate

funding. Therefore, I am recommending a total budget for the Department of Corrections of \$174 million. This represents an increase of \$44.6 million over the current year. \$34.8 million of this increase, or 78%, is directly related to the current emergency we have in the area of adequate capacity within our correctional facilities. Specifically, \$20 million in capital appropriations is recommended to renovate existing facilities, and to acquire and to renovate other facilities to provide additional capacity in the short-term; \$7.6 million is recommended for the required operating expenses of the Fort Dix Correctional Facility; \$4 million to continue operating the old wings of Trenton State Prison; \$2.3 million is recommended to provide support for State inmates housed in county facilities; and \$900,000 for operating costs of renovated facilities.

I am in agreement with taking appropriate action to develop deterrents to crime. But it is unreasonable to take this position without backing up what is said with the necessary funds. When tougher laws are passed leading to more persons being incarcerated, laws also must be passed to finance adequate programs and facilities to take care of the inmates.

These Corrections' problems, as well as those in Transportation, have suffered from substantial neglect. The temptation must be resisted to pass legislation which responds to the public's demands and society's program interests without the fiscal wherewithal to meet the responsibilities which result. If the State continues to sweep these problems under the rug, the consequences will become more and more serious and efforts to improve the State's economic climate and image will be seriously undermined.

I am proposing the first steps toward turning this situation around.

To help improve safety in our communities, I am recommending a \$3.3 million (or 21%) increase in State Aid for the Safe and Clean Neighborhoods Program. This appropriation will assist municipalities in providing greater police protection by supporting an additional 245 policemen. The success of this program has been documented by a recently completed study conducted by the Police Foundation of Washington, D.C., which concluded that the safe neighborhoods component of the program "... has demonstrated value to urban residents who are in great need of it. If the goal of the Safe and Clean Neighborhoods Program Act was to

increase the feelings of safety for citizens using the streets, it has attained this goal."

The main thrust of this Budget is to continue the necessary basic activities of State government and to build in some funds to encourage economic activity. Limited resources have restricted our efforts to broaden participation. I want to recognize the strong interest of the higher education community, which is anxious to further the development of scientific research endeavors and of technological advances. This can be assisted by a Blue Ribbon panel I am appointing to further cooperative efforts of business and higher education, and to establish a close working relationship between these two important groups.

As the State's economy improves and funds become available, I reiterate my commitment to provide some enhancements to higher education as a key ingredient in providing the skills and knowledge for State development. Additional funds are provided in the budget for tuition assistance to help offset any necessary tuition increases and the loss of Federal funds for these purposes. Tuition assistance is especially necessary to help maintain the private colleges as a viable section of the total higher education community in the State.

OTHER INITIATIVES

I want to make special mention of three important areas of the Budget where I am recommending improvements or new initiatives.

A Program for the Working Poor

I am personally concerned about the impact the Federal budget reductions will have upon the working poor. Individuals who are making a concerted effort to better themselves deserve our support. In the past, the State was concentrating its efforts on training and placing unemployed recipients of AFDC. There is no State program which aids an underemployed or low wage earner to upgrade his skills. I am, therefore, recommending \$8 million to initiate a new job training and skills development program which will have as its major emphasis providing the necessary support for the working poor and displaced workers in the areas of employment and job training.

The major objectives of this program will be:

- to develop a job training program for those working recipients who are currently receiving a welfare grant as a supplement to their incomes;
- to develop a job training program for those working recipients who were just recently eliminated from the welfare rolls because their gross incomes exceed 150 percent of the grant standard; and
- to assist New Jersey's industries in expanding their workforces and to retrain New Jersey's workforce in order to attract industry to the State.

This program is to be administered by the Departments of Human Services, Labor, and Commerce.

Neighborhood Preservation

Neighborhood preservation plays a vital role in revitalizing our cities. Talking with mayors throughout the State, I am repeatedly told that neighborhood preservation is a key element in stopping further urban decay, in stabilizing the tax base, and in providing adequate housing. In addition, this program has the support of the private sector.

The records of the Bureau of Neighborhood Preservation, which administers this program, show that a small amount of State money thoughtfully applied in certain neighborhoods can stimulate a large amount of private investment. Public funds are also used to provide a stimulus for investments by citizens residing in targeted neighborhoods. Healthy neighborhoods do not deteriorate because the local residents have a vested interest in maintaining their own investment. Building confidence in the local property owners to maintain their dwellings and work for an improved living environment is the program's key element.

Since the beginning of the program, State dollars invested in urban residential neighborhoods have drawn other public and private dollars at a ratio of 1:8; i.e., for every one State dollar, eight other public and private dollars were invested. So far, more than \$19 million in private investments were made in Neighborhood Preservation programs throughout the State. With over 4,500 housing units already rehabilitated, New Jersey ranks far ahead of other states in the

successful application of the neighborhood preservation approach.

To show my commitment for this program, I am recommending \$2.5 million for the Neighborhood Preservation Program. This represents an increase of \$1.9 million over the current fiscal year appropriation, and when combined with the other funding sources, will allow for approximately 2,200 additional housing units to be rehabilitated.

Program for Senior Citizens and Disabled Residents

Providing adequate programs to meet the needs of our senior citizens and disabled residents is an important function of State government.

While total funding from the Casino Revenue Fund shows a decrease of \$28.3 million, this reduction reflects a transfer of \$50 million of the \$63 million in regular homestead rebates back to the Property Tax Relief Fund. This action is a major step in fulfilling the commitment I made during my campaign in this regard.

I have recommended increases consistent with current legislative mandates for all of the programs for senior citizens and disabled residents that draw their resources from the Casino Revenue Fund. Specifically, I have recommended an increase of \$12.7 million to fund the expanded Pharmaceutical Assistance to the Aged and Disabled Program. I have provided the necessary funds to allow the lifeline utility credits to increase from \$150 to \$175, and to provide an increase in the reimbursements to municipalities for tax exemptions for senior citizens and disabled residents from \$200 to \$225.

For the portion of the Pharmaceutical Assistance to the Aged and Disabled Program supported by the General Fund, I am recommending \$46.3 million. For the homestead rebates for senior citizens and disabled residents, I am recommending a total of \$80 million. \$50.7 million is being funded from the Property Tax Relief Fund, and \$29.3 million from the Casino Revenue Fund.

Including the half-fare transportation program, medical services, supplemental security income and the programs mentioned above, I am recommending for fiscal year 1983 a total of \$450 million in State funding for the various programs for New Jersey's elderly and disabled residents.

STATE FINANCES

To initiate positive steps to contain the long-range expenditure growth in some of the key programs within State government, I am recommending the following actions. First, while I am recommending a \$193.2 million increase in State School Aid, this is \$65 million below the amount requested by the Department of Education for current expense Equalization Aid and Compensatory Education Aid. In making this recommendation, I have maintained the basic formula parameters. This level of State funding will still provide 39.2% of total school costs in fiscal year 1983. In the current fiscal year, the percentage is 38.9%. Over the last five years, State aid for education has increased by 48.5% while the property tax levy to support education has increased by only 28.0%.

School districts should be able to contain their costs, just as I intend to contain State expenses. There must be more accountability built into the education system. Education management at the local level needs to show more concern for the relationship between costs and benefits and to evaluate the effectiveness of the programs and instruction offered.

Secondly, I have established in the Treasury Department a new Office of Management Services which will be responsible to identify waste, mismanagement and inefficiency. This Office will recommend and assist in the implementation of ways and means to reduce and eliminate those problem areas having a growing positive impact on future budgets.

Thirdly, to deal with the dramatically increasing cost of pensions and employee benefits, I will shortly name members of a Gubernatorial Study Commission on Pensions. The costs to the State of the various pension systems are escalating very rapidly. Let me emphasize that I have no intention of abrogating the State's responsibility to provide the necessary funding for the current pension programs. The Commission is to review alternate means of providing adequate pensions at a lower long range cost to the State.

Fourth, in order to maintain the State's excellent credit rating, it is imperative that we utilize bond funding carefully and for only the critical, long-term needs of the State. We need to scrutinize the State's dependence on debt financing, particularly in the areas of transportation and corrections.

We need to develop a prudent pay-as-you-go policy for many capital projects. We need to watch the sizeable growth in State authority debt and the tendency of local governments to seek solutions to their financial needs by increasingly issuing high cost debt. Debt prudently managed can serve governments well by leveraging their resources; however, debt must not become an end-run on fiscal and budgetary discipline.

For fiscal year 1983, I have taken initial steps to reduce the State's growing dependence on debt financing. The total capital budget I am recommending is \$81.7 million, and represents an increase of \$39.5 million over the current fiscal year.

Revenues

Certain elements of the State's revenue base, such as the motor fuels and cigarette taxes, are inelastic; that is, their revenues do not respond along with the general level of income. This often results in little or no growth, and even declines, in the revenues from these sources. This in turn places heavier dependence on the revenues derived from other revenue sources, such as in sales and income taxes. My recommendations to eliminate the sales tax exemption on these two items, in addition to providing needed funds for transportation and an incentive to improved health through reductions in smoking, help increase the elasticity of the State's revenue base which will aid in balancing future budgets.

For fiscal year 1983, an estimated \$230 million in additional revenues would be generated by taking these actions, and as the revenue base grows, so will the revenues derived from these sources.

I am recommending that 95 percent of the gross receipts and franchise taxes be disbursed to municipalities for calendar year 1982. This amounts to \$75 million more than the current year, and for the first time in history, will exceed \$600 million. The remaining amount, totaling \$75 million, will be utilized in the State Budget, particularly, to provide aid to school districts, since the increase in resources in the Property Tax Relief Fund is not sufficient to support the growth in Aid to Education.

My recommendation for Aid to Education amounts to an increase of \$193 million, the largest single increase since full funding of the T&E law.

However, increases in resources in the Property Tax Relief Fund are only \$161 million greater than the current year. In order to provide almost \$2 billion in educational aid for fiscal year 1983, it is necessary to utilize some part of the growth in the gross receipts and franchise taxes.

The growth in the gross receipts and franchise taxes has been extraordinary in the past few years—amounting to 20 percent. Our recommendation would utilize some of this growth for educational aid and other statewide goals, and would still allow municipalities to utilize a 14 percent growth in these revenues.

For fiscal year 1982, the accelerated depreciation schedules now used by the Federal government resulted in an estimated loss of \$18 million in corporation business tax revenues. I am recommending that we no longer permit the use of these accelerated depreciation schedules in New Jersey. Making this change will not put New Jersey at a competitive disadvantage as most neighboring states have already uncoupled from the accelerated depreciation schedules. This action will avoid the loss of an estimated \$40 million in corporate tax collections in fiscal year 1983.

By making these revenue changes, and by reducing our long-term expenditure commitments, we will maintain the State's solid financial position, and we will improve our ability to provide an adequate level of financing for the necessary programs of State government.

Assumption of Federal Reductions

The departments requested that the State Budget in fiscal year 1983 pick up \$56.9 million in Federal fund reductions. This Budget provides \$40.6 million of State funds to offset these Federal program reductions.

The major areas where State funds are provided are: mass transit, \$19.5 million; social services, \$5.1 million; energy conservation, \$621,000; Medicaid, \$12.0 million; and Corrections, \$2.0 million.

Certain Health programs can be continued one more year from prior year balances which remain available.

THE BUDGET IN BRIEF

All State Funds

Resources

Undesignated Fund Balances

July 1, 1982	\$ 129,021,289
Revenues anticipated	6,045,215,707
New revenue program	230,000,000
Total Resources	<u>\$6,404,236,996</u>

Recommendations

Direct State Services	\$2,499,107,435
State Aid	3,571,320,122
Capital Construction	81,437,118
Debt Service	221,552,871
Total Recommendations	<u>\$6,373,417,546</u>

Undesignated Fund

Balances June 30, 1983	<u>\$ 30,819,450</u>
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DEPARTMENTS AND AGENCIES

Transportation

Since making significant improvements to New Jersey's transportation system is a vital component of my Economic Recovery Program, I am recommending substantial increases in appropriations for the Department of Transportation. The total recommended fiscal year 1983 budget for the Department of Transportation is \$407.4 million, representing an increase of \$117.1 million. The recommendation for the operating budget of the department totals \$240.2 million. This represents an increase of \$41.1 million.

The major increases in the department's operating budget include:

- \$19.8 million for State Highway facilities. This increase will provide for improvements in roadway and bridge maintenance, in electrical and traffic operations, and in new equipment acquisition.
- \$19.6 million for the purchase of services from the New Jersey Transit Corporation. This increase will bring the total appropria-

tion for this program to \$124 million. Even at this level of funding, a fare increase will be necessary in fiscal year 1983. This fare increase will be consistent with the Corporation's goal of having 55% of revenues generated from the fare box.

- \$1.7 million for administrative support, planning, and research.

An appropriation of \$48,000,000 is recommended for improvement and maintenance of local roads and streets. Of this total, \$8 million will be available to match \$38.6 million in Federal Funds for local urban, primary, rural, and bridge projects. An additional \$1.6 million will be directly available for county and municipal aid for lighting. The most significant aspect of the fiscal year 1983 Transportation State Aid budget is the \$40 million recommendation for reconstruction of county and municipal highways. This new program will assist localities in eliminating the existing backlog in road renewal needs on an estimated 6,000 miles of local roads.

I am recommending \$48.8 million in capital appropriations for the Department of Transportation. This is an increase of \$19 million over the amount appropriated in the current fiscal year. From the \$48.8 million:

- \$11 million will be used for construction in the Interstate Highway Program. The State's appropriation will be matched by \$99 million of Federal Interstate funds. The combined total of \$110 million will provide for the construction of 71.4 miles of proposed Interstate Highways. In addition, \$2 million of this appropriation will be used to match a new Federal Interstate Program for resurfacing, restoration, and rehabilitation of the 330 miles of completed New Jersey Interstate Highways.
- \$10 million will be used for the Betterment and Maintenance Program. This recommendation, which is twice that of fiscal year 1982, will enable the department to make significant headway in reducing the existing backlog of reconstruction, rebuilding, and resurfacing projects that are required to stop the deterioration of our highway system.

An additional \$3 million will be utilized to match non-Interstate Highway and bridge projects, and to support construction

costs which exceed Federal standards and are not reimbursable.

- \$19.8 million will provide for the continuation of the Construction Engineering Program.
- \$2 million will be utilized for freight line rehabilitation and acquisition. This recommendation will provide the State with resources to purchase and rehabilitate the most critical freight lines for resale to private operations. An estimated 98 industries and 1,500 jobs are potentially affected by the abandonment proposal.

Commerce and Economic Development

The Department of Commerce will play a meaningful role in enhancing the business climate in New Jersey. It will provide a comprehensive range of services to the business community, including selective advertising, promotion, industrial location services, and community profile information. One of its key activities will be to assist all business in working their way through the myriad of regulations promulgated by both State and Federal agencies. Providing an adequate level of funding for the Department of Commerce is vital to making significant improvements in the business climate in New Jersey. I am recommending an appropriation of \$7.8 million for fiscal year 1983. This represents an increase of \$3.1 million.

Within the department's budget, \$3.5 million has been earmarked for the advertising and the promotional activities of the Division of Economic Development and the Division's Travel and Tourism. This represents an increase of \$2.75 million over fiscal year 1982 level, and will accommodate the establishment and implementation of a comprehensive State promotional plan with an expanded emphasis on out-of-state advertising.

In addition, I am recommending the continuation of the State Aid payment of \$535,600 to provide for the tax reserve requirements of the South Jersey Port Corporation.

Education

I am recommending a total of \$2 billion from the General Fund and Property Tax Relief Fund in State Aid for education programs in fiscal year 1983. This represents an increase in school aid of \$193.2 million, 11% over the current year, and comprises almost 30% of the State's Budget. The recommendation is \$65 million below the amount

requested by the Department of Education for current expense Formula Aid and Compensatory Education Aid; however, in making this recommendation, I have followed the basic formula parameters. This level of State funding will provide 39.2% of total school costs in fiscal year 1983 compared to 38.9% in the current fiscal year.

The major recommendations in State Aid for the Department of Education include:

- \$998.0 million for current Expense Equalization Aid, and Minimum Aid, an increase of \$62.9 million;
- \$482.6 million for the Teachers' Pension and Annuity Fund, an increase of \$66.3 million;
- \$115.4 million in Transportation Aid, an increase of \$5.6 million;
- \$87.2 million in School Building Aid, an increase of \$2.9 million;
- \$80.1 million in Compensatory Education Aid, an increase of \$20.1 million;
- \$18.1 in Non-Public School Aid, an increase of \$2.2 million;
- \$165.8 million for Special Education Aid, an increase of \$27.9 million;
- \$18.5 million in Vocational Education Aid, an increase of \$2.8 million.

In addition, I am recommending \$7.7 million in State Aid for Libraries, and \$912,000 in State Aid for the Newark Museum Association.

The operating budget of the department is funded at a continuation level. I have recommended a reduction of approximately \$200,000 for the School Approval Program, and have eliminated the funds requested for the Minimum Basic Skills Testing Program. I would have made further reductions to the programs associated with the "Thorough and Efficient" monitoring process, but felt it important to give the new Commissioner of Education adequate time to determine the future needs of these programs.

Of special note is the \$3.1 million I am recommending for cultural projects. This represents an increase of \$250,000, or 8.6%, over the current funding level in order to encourage public participation in the arts, and to improve the State's total artistic resources.

In addition, I am recommending \$1 million in capital appropriations for needed repairs and renovations at the Marie H. Katzenbach School for the Deaf.

I am recommending a total budget of \$565 million for the Department of Higher Education. This represents an increase of \$11.4 million, or 2%, above the current level. The budget for Higher Education recognizes that enrollment levels, in general, are beginning to decline, and I expect this trend to continue. My recommendations for the Department of Higher Education are based on the need for the public institutions to reallocate existing resources in order to improve or expand already existing programs, or to start new ones. Specifically, I am recommending \$136 million for the support of Rutgers, The State University; \$86.4 million for the University of Medicine and Dentistry; \$170 million for the nine State Colleges; and \$17.8 million for the New Jersey Institute of Technology.

All senior public institutions will need to consider raising tuition by approximately 10% in order to provide \$10 million for necessary operating expenses. The assumed increases in tuition levels will be consistent with the Board of Higher Education tuition policy of having undergraduate students pay the equivalent of 30% of education and general expenses, with graduate students paying 45%. I have recommended stable budgeted enrollment levels of 37,555 students for Rutgers and 4,500 students for NJIT, and have reduced slightly the enrollment level to 51,642 students for the State Colleges. This reduction at the State Colleges is based upon an analysis of the 1981 enrollment levels. I am recommending the additional enrollment of 134 students requested for the UMDNJ, as the Medical School has yet to reach full capacity.

In the area of Student Assistance programs, I am recommending total funding of \$56.8 million, an increase of \$3.2 million over the current fiscal year. In light of the potential Federal reductions, the Student Assistance Board, Equal Educational Opportunity Fund Board, and the Board of Higher Education should review the current structure of the award tables to guarantee that there is a fair and just distribution of these funds. The \$68.2 million in State Aid recommended for County Colleges provides State support for 77,500 full-time equivalent students at \$725 per student.

Capital appropriations totaling \$6 million are being recommended in fiscal year 1983 for the Department of Higher Education. These funds will be used to continue the department's deferred

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maintenance and repair activities statewide. In fiscal year 1982, \$2 million was appropriated to begin these essential repairs and renovations. Funds will be allocated among the various Higher Education institutions, and an estimated 59 top priority projects are expected to be undertaken around the State. The types of projects included are: elimination of code violations, repairing and replacing roofs, windows, stairs, doors, utilities, and electrical systems. Various repairs, replacement and renovation projects at campuses throughout the State will preserve the value of the physical plant and equipment, reduce maintenance costs, ensure the safety of students, and provide for full and effective use of such facilities.

Corrections

I am recommending a total budget for the Department of Corrections of \$174 million. This represents an increase of \$44.6 million over the current year. Specifically, \$20 million in capital appropriations is recommended to renovate existing facilities, or to acquire and renovate other facilities in order to provide additional capacity in the short-term; \$7.6 million is recommended for the required operating expenses of the Mid-State Correctional Facility (Fort Dix); \$4 million to continue operating the old wings of Trenton State Prison; \$2.3 million is recommended to provide support for State inmates housed in county facilities; \$900,000 at Yardville, Bordentown, and Jamesburg to provide operating expenses for facilities renovated to accommodate an additional 155 inmates; \$2.4 million for fuel and utility increases at Trenton and Rahway Prisons—\$1.6 million of this increase is associated with the new facilities at Trenton State Prison; \$900,000 for overtime, which represents an 9% increase over the current year; and \$1.0 million for the continuation and expansion of community programs.

Employee Benefits

For fiscal year 1983, I am recommending \$370.6 million to provide benefits for employees of State government. This is an increase of \$49.6 million over the current year and represents costs mandated by law or existing contracts in several benefit categories, including Social Security, health benefits, unemployment insurance, and pensions systems. In fiscal year 1983, Social Security costs will increase by \$13.5 million, or 15%; pension-related costs will increase by \$22.7 million, or 15.8%; and health benefits and unemployment

insurance costs will increase by \$13.4 million, or 15.1%.

The escalating costs and the budgetary impact of the State's contributions to the various pension systems, including the Teachers' Pension and Annuity Fund, give me real cause for concern. The average annual increase of the State's contribution to these funds for the last three fiscal years has been \$85.3 million.

Salaries

\$60 million is recommended for the costs associated with the current collective bargaining agreements negotiated with the various unions representing State employees. This recommendation is \$20 million less than the current year's appropriation, and reflects the savings that will be generated by imposing a selective reduction in force for fiscal year 1983. It is anticipated that most of this savings will be generated by the normal attrition of State employees and not layoffs. The selective hiring reduction will not be extended to those positions that are essential to the health, safety, and well-being of the citizens of our State.

Other Central Accounts

I am recommending \$47.8 million in appropriations to provide for the expenses necessary to cover the State's lease agreements, insurance needs, and tort claim liabilities.

The significant increases within this appropriation include \$5 million to build up the Tort Claims Fund reserve for settlements, and \$7.9 million to provide for the annualized cost of the lease-purchase agreement for the Richard J. Hughes Justice Complex. The appropriation recommended for the Tort Claims Fund is based upon a recently completed actuarial study of the Fund, which recommended increasing the appropriation level to provide for estimated annual payments.

Human Services

I am recommending for the Department of Human Services a total budget from all State funds of \$1.3 billion. The fiscal year 1983 budget is \$89.8 million higher than the funding level for the current year.

For the Division of Mental Retardation, I am recommending \$155.8 million, which represents an increase of \$17.7 million, or 13%, over the fiscal year 1982 appropriation. The \$5.7 million recom-

mended increase for the State schools is required to continue operations in compliance with the Federal ICF-MR (Intermediate Care Facilities) standards, and reflects the ongoing depopulation of the institutions.

The \$12.0 million recommended for divisional programs reflects the need to expand community residential placements and day programs as institutional capacity and populations decline. The increase consists of several major items:

- \$.4 million for family care services;
- \$6.0 million for private institutional care contracts;
- \$1.7 million for skill development home contracts;
- \$3.1 million for adult activities services;
- \$1.5 million for leasing replacement vehicles which are required by the Division's day programs.

A total budget of \$182.5 million is recommended for the Division of Mental Health and Hospitals. This represents an increase of \$6.7 million, or 3.8%, over the current year. An additional \$1.8 million is recommended in grants for community care and community mental health centers. The State Aid for support of patients in county mental hospitals is recommended at \$25 million, the same appropriation level as in fiscal year 1982.

The budget I am recommending for the Division of Youth and Family Services for fiscal year 1983 is \$75.3 million, an increase of \$3.4 million, or about 4.4% over 1982. This appropriation will permit the Division's district offices and residential centers to resume normal operations. No new programs are contemplated, nor will there be any increase in the payments made for purchased services or in the reimbursements to foster parents and those in the subsidized adoption program. The foster care and subsidized adoption rates were, however, increased by 10.5% in fiscal year 1982.

In addition, the budget recommendation will require the closing of nine additional Division-operated day care centers. Only eight will remain open. This action was requested by the Department of Human Services. The department maintains that alternative care can be found for the children in these day care centers, at costs lower than the State operated centers.

For fiscal year 1983, I am recommending a total State budget of \$577 million for the Division

of Medical Assistance and Health Services.

For the Medicaid Program, I am recommending \$436.3 million in State Aid, which will provide for essentially the continuation of the present levels and quality of services to the same recipient population served in fiscal year 1982. This level of funding represents an increase of \$32.2 million over the current appropriation for the Medicaid Program; \$12 million of this increase reflects additional State funding to offset the reduction in Federal financial participation. A copayment of \$1 will be imposed on non-institutional recipients for all optional transportation, out-patient hospital, laboratory, and x-ray services. From the Casino Revenue Fund, I am recommending \$83.3 million in appropriations for the expanded Pharmaceutical Assistance for the Aged and Disabled, lifeline credits, and tenants' assistance rebate programs. This represents an increase of \$22.2 million, or 36%, over the current fiscal year appropriation for these programs. For the portion of the Pharmaceutical Assistance to the Aged and Disabled Program supported by the General Fund, I am recommending \$46.3 million.

For the Division of Public Welfare, I am recommending a continuation budget with no increase in grant levels for the AFDC, GA, and SSI programs. For fiscal year 1983, the State cost for all income maintenance programs will be \$252.9 million. This represents a net reduction of \$3.5 million from the fiscal year 1982 funding level because of the elimination of approximately 23,000 recipients due to the changes in Federal eligibility requirements.

An appropriation of \$13.3 million is recommended for services to veterans. This recommendation provides for the continuation of all services, and for 33 additional staff, costing \$158,000, for the direct care of patients at the New Jersey Memorial Home for Disabled Soldiers at Menlo Park. The increase in staff is necessitated by a change from domiciliary care to nursing care and services of 53 patients.

For the Commission for the Blind and Visually Impaired, I am recommending a continuation budget of \$5 million.

Treasury

For the Department of the Treasury, I am recommending an operating budget of \$72.9 million. This recommendation is \$4.1 million, or 6.0%,

above the fiscal year 1982 appropriation. This funding level will provide for the basic continuation of all services. A major enhancement is for the Division of Pensions, and is essential to reduce overtime and backlogs, to perform audits on a timely and current basis, to staff the Social Security section properly, and to staff the data processing section in line with recent system changes.

A total of \$209 million is recommended for State Aid related to State subsidies and financial aid. The major components of this recommendation include:

- \$13 million in payments in lieu of taxes to municipalities for services to State owned property;
- \$158.7 million in payments to municipalities for replacement of the business personal property tax;
- \$30.5 million in payments to municipalities for the Municipal Purposes Tax Assistance Program.

For the Department of Treasury's State Aid programs funded from the Property Tax Relief Fund, I am recommending a total of \$360.7 million in appropriations. This recommendation provides \$260.7 million for homestead rebates—\$50 million of which represents a portion of rebates for senior citizens and disabled residents that was funded from the Casino Revenue Fund in fiscal year 1982.

In addition, I am recommending \$50 million for the revenue sharing program, and \$50 million for property tax deductions for senior citizens, disabled residents, and veterans. I am recommending \$2.1 million in capital appropriations for miscellaneous urgent capital projects within the State House Complex.

For Treasury's programs funded from casino revenues, which are for the benefit of senior citizens and disabled residents, I am recommending \$42.8 million. Within this total, \$17 million will provide for the additional \$50 exemption under the Homestead Exemption Program, \$13.5 million will go for reimbursement to municipalities for tax deductions which will increase from \$200 to \$225, and \$12.3 million for regular homestead rebates.

Debt Service

\$221.6 million is recommended to cover the debt service on the State's general obligation bonds. This is an increase of \$36 million, or 19%, over the fiscal year 1982 appropriation. Of the

\$221.6 million, \$114 million is for interest, and \$107.6 million is for the principal payments. The \$221.6 will increase as we sell more bonds.

OTHER RECOMMENDATIONS

For many of the departments in State government, I am recommending continuation budgets. In general, the recommended level of appropriations for these departments provides only for the continuation of current activities with no new or expanded programs being funded. The increases I have recommended are minimal, and will require these cabinet officers to take a hard look at the operations of their departments to ensure that essential services are maintained.

Defense

I am recommending an \$8.4 million appropriation for the operating expenses of the Department of Defense. The essential increases are: \$73,000 to provide necessary security at the Sea Girt facility, \$47,000 for Joint Federal-State operation and maintenance contracts, which will result in an additional \$140,000 in Federal funds, and \$80,000 for desperately needed maintenance at the armories.

Banking

An appropriation of \$4.4 million, an increase of approximately 1%, will allow the Department of Banking to maintain the existing levels of regulation and supervision of State chartered banks and savings and loan associations.

Civil Service

A continuation budget of \$12.4 million for the Department of Civil Service will provide the necessary funding for the Department's programs in Personnel Policy Development, Recruitment and Selection, Equal Employment Opportunity, Classification and Compensation, Employee Development, and Local Governmental Classifications.

Agriculture

The \$5.7 recommendation for the Department of Agriculture provides for the continuation of the Department's current programs at an adequate level. Continued funding is recommended for the Gypsy Moth Control, \$90,000, and grants to soil conservation districts, \$124,000.

Insurance

For the Department of Insurance, I am recommending a budget of \$5.9 million. This recommendation will provide for the continuation of all existing activities in the areas of licensing, enforcement, and regulation of the insurance and real estate industries.

State

My budget request for the Department of State of \$6.2 million will provide adequate funding for both the commercial and governmental records section and the Office of Administrative Law.

Energy

My recommendation for the operating expenses of this department is \$13.8 million. Within this total, the recommendation for the Natural Resource Management Program, which oversees the State Energy Master Plan, is \$2.1 million.

For the Board of Public Utilities, which controls through the rate setting process the charges paid by the public for public utility services, I am recommending \$6.6 million.

The budget for the New Jersey Public Broadcasting Authority is recommended at \$5.1 million. I am recommending an increase for the Authority of \$350,000 in capital appropriations for the continuation of the equipment renovation program initiated in fiscal year 1982.

Health

For the Department of Health, I am recommending \$30.5 million for operating expenses. All of the essential activities in the Health Services, Health Planning and Evaluation, and Health Administration programs will be continued at this level of funding.

I am recommending elimination of the State Aid subsidy program for public general hospitals, saving \$6.8 million. \$2.4 million in State Aid is recommended for the continuation of Community Health Services Programs.

A capital appropriation of \$400,000 is recommended to continue the laboratory equipment modernization program initiated in fiscal year 1982.

Public Advocate

I am recommending \$23.9 million for the

Department of the State Public Advocate. This level of appropriation will provide for the continuation of the essential services of the advocacy programs, both public interest and mental health; of the citizens' complaints and dispute settlements programs; and of the Office of the Public Defender, which must increase in tandem with the recommendations made for the Division of Criminal Justice and the Judiciary.

Labor

The budget I am recommending for the Department of Labor is \$39.2 million. This represents an increase of \$10.6 million, or 37% over the fiscal year 1982 appropriation.

The fiscal year 1983 budget recommendation for the Department of Labor reflects several recent "shifts" in organizational structure and in program emphasis. In fiscal year 1982, the Divisions of Economic Development, Travel and Tourism, and a portion of Planning and Research were transferred to the Department of Commerce.

The fiscal year 1983 recommendation is sufficient to continue all existing departmental program functions in labor market research, workplace standards and enforcement, unemployment and disability insurance, Workers' Compensation, and manpower and employment services. The only increases are: \$876,000 for the Sheltered Workshop Extended Employment Program—the recommended funding of \$4 million will be sufficient to reimburse the workshops at approximately 77% of the maximum allowable reimbursement level based upon a new funding formula recently implemented by the Department; \$500,000 to purchase a new computer system—the Department's current data processing system was examined in several recent audits and found to be critically inadequate.

Community Affairs

The operating budget I am recommending for the Department of Community Affairs is \$13.6 million. This budgetary level will provide for the continuation of current activities in housing code enforcement, housing services, State and regional planning, uniform construction code, and programs for the aging. An increase of \$100,000 is recommended for the Division of Local Governmental Services to expand the ability of the Department to respond to municipalities with financial difficulties.

For the State Aid programs within the department, I am recommending \$83.2 million. Stable funding is recommended for the Welfare Equalization Aid Program at \$15 million, and for the Municipal Aid program at \$40.0 million.

As I mentioned previously, neighborhood preservation will play a vital role in revitalizing our cities. To show the State's commitment for this program, I am recommending \$2.5 million for the Neighborhood Preservation Program. This represents an increase of \$1.9 million over the current year's appropriation.

To help ensure safe streets, I am recommending a \$3.3 million increase in State Aid for the Safe and Clean Neighborhoods Program. This appropriation will assist municipalities to provide adequate police protection, which is essential to the safety of our residents. This appropriation level will support 990 policemen to patrol our city streets.

Of special note is the \$125,000 I am recommending for the Special Olympics Program. This represents an increase of \$25,000, or 25%, over the current funding level of this most deserving program, which supports the Special Olympics and the Tournament of Champions for the mentally retarded and physically handicapped.

Environmental Protection

I am recommending \$48.1 million for the operating expenses of the Department of Environmental Protection. This level of funding represents a \$1.5 million, or 3.1% increase. It provides for the continuation of essential services in the areas of Environmental Quality, Hazardous and Toxic Pollution Control, Recreational Resources Management, and Environmental Planning and Administration. A \$167,000 increase for forest fire fighting costs is necessary to bring this appropriation in line with historical costs in this area.

For the department's State Aid programs, I am recommending \$4.1 million. Within this amount, the Pinelands Commission will receive \$1.15 million for administration, planning, and development activities. This represents an increase of \$250,000 over the fiscal year 1982 appropriation. In addition, the aid provided by the Commission to counties and municipalities is recommended at \$300,000, the same amount as in the current year.

The other State Aid programs are held at the current year's level. This includes \$730,000 for

grants. New solid waste management districts, \$1.0 million for payment in lieu of taxes on real property acquired for future water supply facilities, and \$400,000 for mosquito control.

I am recommending \$650,000 in capital appropriations for historic sites. This is an increase of \$150,000 over the current year's funding.

Law and Public Safety

The budget I am recommending for the Department of Law and Public Safety totals \$154 million, which represents an increase of \$11 million, or 7.7%, over the current fiscal year appropriation.

In addition, for the Division of Gaming Enforcement, which is funded from the Casino Control Fund and prepares the investigative and evaluative reports for the Casino Control Commission, I am recommending \$21.1 million.

These appropriations will allow the continuation and enhancement of the essential services provided by the Division of Criminal Justice, Division of Motor Vehicles, State Police, and other law enforcement and citizens' rights activities.

JUDICIARY

For fiscal year 1983, a \$42 million budget is recommended for the Judiciary. This level of appropriation is \$5.1 million, or 14% more than the funding level in the current fiscal year. The major increases are \$3.8 million for the annualization of the costs associated with the recently enacted salary increases for judges, and \$380,000 for an audio-visual system for the Supreme, Superior, and Tax Courts.

LEGISLATURE

The fiscal year 1983 recommended budget for the Legislature is \$19.8 million. This represents an increase of \$932,000, or 4.9% over the current year appropriation.

CONCLUSION

This presentation, of course, is but the first step in a long process.

The Legislature, through its established practices, shall now work its will on my recommendations and requests.

I am prepared for the disagreements which I know will come. Criticism—valid and constructive—is an integral part of the legislative process and, hopefully, will generate the kind of bipartisan dialogue which will benefit us all.

To those who would change this Budget and choose additional spending in lieu of cost reductions, I can only say that, to do so in a responsible fashion, requires you to develop revenue-producing alternatives or expenditure reductions in other areas.

To those who would change the revenue program I have submitted, I can only say that you bear a responsibility to develop a program to be utilized in its stead.

This Budget is not inviolate by any means; nor is it chiseled in stone and impervious to change.

However, change and responsibility are in-

terlocked. To select change is to accept responsibility.

I ask you to join with me, not to fix blame for the past but to fix our course for the future.

Thank you.

Respectfully submitted,

THOMAS H. KEAN,
Governor of New Jersey

Attest:

LEWIS B. THURSTON, III,
Chief of Staff to the Governor.

March 15, 1982.