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state of new jersey   James E. McGreevey, Governor

■ Budget Address to the Joint Session of the Legislature

Tuesday, March 26, 2002

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Senate Presidents, Members of the state legislature, Cabinet officials,
My fellow New Jerseyans...

Today, I am submitting a budget for your consideration that is intended to pull us out
of crisis and put our state on the right track.

[Governor's Budget
Protects New Jersey
Families](#)

It is an important document, representing many months of work -- a blueprint to
move New Jersey forward.



The budget-making process has not been easy this year, and we have faced difficult
choices and unforeseen obstacles.

But I believe we have accomplished our goals:

First and foremost, we have balanced the budget -- not only because our state
constitution requires it, but because it is the right thing to do ...

[Budget Overview
\(pdf\)](#)

Like any family, New Jersey must live within its means.

[McGreevey's Budget
Address Garners Praise](#)

Second, we have identified those programs that must be priorities, even in tough
times.

And third, despite the enormous pressure of a massive, multi-billion dollar shortfall,
we have not balanced this budget on the backs of the working people of this state.

In fact, we're doing quite the opposite.

We are reaffirming our commitment to property tax relief.

And we're making our tax structure more fair and equitable by ensuring that
corporations pay their fair share of taxes just the way every family in New Jersey
must.

Ladies and gentlemen, I believe this budget is an enormous achievement.

Just consider what we're doing here today.

We face a staggering shortfall -- the biggest of any state in the nation, and perhaps
the biggest in history -- and yet we have constructed a realistic, responsible spending
plan for New Jersey.

We're doing it without raising sales taxes or income taxes.

We're doing it without reducing our aid to local governments and school districts.

And we are doing it by keeping faith with our most basic priorities and the fundamental values that brought us here in the first place.

A few weeks ago, I came before this Legislature and asked you to make the tough choices to close a \$3 billion dollar shortfall and put this year's budget back into balance.

It was a difficult task, but together, we got it done.

Today, I am asking you to work with me again;

I want to work in partnership with Senators Codey and Bennett, Speaker Sires and Minority Leader DeGaetano and with each and every one of you.

We must get this job done and we must do it together.

Creating a budget for the state of New Jersey is an awesome task, because the decisions we make in a \$23 billion dollar budget affect people's lives every day.

Building schools ...

Educating our children ...

Strengthening the state police ...

Paving roads ...

Preserving open space ...

Providing state aid to municipalities and school districts.

Yet even with all we have to do, our resources have been shrinking.

Tax revenues have declined dramatically in the past 12 months and have quickly been outpaced by spending.

We were forced to close a \$3 billion dollar shortfall to bring the last budget back into balance -- and now we're closing what the very latest revenue projections suggest is an additional \$5.3 billion dollar gap.

This is not the budget I wanted to submit. It does not ... and unfortunately, cannot ... reflect all of my priorities.

But as Governor, it is my job to hold the line ...

It is my job to say to the citizens, 'this is what we can do with the resources we have'.

I cannot tell you that this budget meets every need or solves every problem.

But I believe it will put us on the right path, because I believe it was driven by the right priorities.

Because even in hard times, a budget has to be a blueprint for the future and it has to reflect our values.

I've traveled all over New Jersey in recent months, and I've talked to thousands of people in hundreds of communities and every single county.

As we worked on this budget, I found myself remembering their stories.

The grandfather I met in Gloucester County who is spending all his money to keep his ailing wife at home instead of putting her in a nursing home -- but who worries about how he will pay his property taxes and prescription drug costs when the money is gone ...

The police officer I spoke to in South Amboy who worked two jobs -- long hours -- to support his family, but who still holds onto the dream that led him to the force in the first place -- that he can help make people safer and more secure...

A single mom with breast cancer in Cherry Hill who told me how difficult it was to find the information she needed about her disease, and who wanted to know what the state could do to help...

A third grader from Livingston, an articulate child who was so full of hope and so curious and anxious to learn...

These stories came back to me as we worked, and reminded me, each and every day, of the importance of what we do and why we need to get it right...

These stories guided me in the difficult choices I had to make.

For fundamentally, as a matter of conscience and duty, we assemble here to do the people's business.

So before I tell you the details of the budget, let me tell you the principles that underlie it.

I believe we must balance our budget responsibly, but never on the backs of the hard working people of our state.

I believe we must tighten our belts, but not harden our hearts.

I believe we must make government work smarter and better.

I believe we must ensure that our people are safe in their homes and on our streets.

I believe we must build the best educational system in the nation -- because when our schools work, we are ensuring the success of our children and ultimately, our state.

In constructing this budget, we stayed focused on where we want to end up, not

when the next fiscal year rolls around, but in the years ahead.

A vision of better schools, safer streets, more open space, and the strongest, most capable workforce in the nation.

As President Abraham Lincoln told Congress in 1861:

"The struggle of today is not altogether for today -- it is for a vast future also."

So, keeping that "vast future" in mind, here are some of the details of the budget I am submitting today.

First, this budget will ensure that we live within our means.

We're doing it by cutting back in a rational, cost-effective, and responsible way.

By making government smaller, leaner and more efficient.

By rooting out waste and mismanagement, by consolidating programs and services, and by re-examining basic assumptions about how we tax and spend.

Let me give you an example.

I am signing an executive order today to begin the process of merging the New Jersey Turnpike Authority, the South Jersey Transportation Authority, and the Highway Authority which runs the Garden State Parkway.

It is time to do away with these redundant authorities which behave like shadow governments -- fiefdoms with little accountability and extraordinary power.

We will merge them to end wasteful duplication and save money.

Here's another thing we're going to do to change government and cut costs:

We're reducing the operating subsidy of the Sports and Exposition Authority by more than half, as a first step towards getting our state government out of the sports business.

When the Sports Authority was created, it was created for the right reasons -- to help bring professional sports to New Jersey at a time when the private sector would not help.

But today, the Sports Authority and the Meadowlands cost us money.

The system is not working for the teams and it's certainly not working for the taxpayers.

In the coming months, we will put forward a long-term plan that keeps all our teams in New Jersey, eliminates the burden on the taxpayer, and finds the best possible use for the Meadowlands site.

I am promising you today that the Meadowlands will be developed sensibly and

rationally ...

that it will become an economic engine for the region, and that the polluted sites in the area will be cleaned up.

Another thing we are going to do is to restructure -- and shrink -- the bureaucracy of the state Department of Education, by decentralizing many of its functions and eliminating unnecessary administrative jobs.

We're going to require that the Department of Education move away from paper-pushing and return to its central mission:

To be a leader in education innovation and to prepare our children for the future.

And we're going to merge the state's Housing and Mortgage Finance Agency with the New Jersey Redevelopment Authority because housing and economic development go hand in hand.

This move will create new efficiencies and enable us to get the job done smarter and better.

As part of living within our means, the budget I am proposing also reflects our determination to root out waste and mismanagement.

First, we've already found dollars that had gone unspent because programs were overfunded or never implemented -- and we're reclaiming those dollars.

Second, I've already required a five percent across-the-board cut from all our state agencies.

Third, there will more reductions in the size of the state workforce.

We have already eliminated 600 positions as part of the necessary process of shrinking government, and there will be 1,000 more reductions achieved through early retirement, attrition and, if necessary, layoffs.

I've said many times that we have to do more with less in order to meet our obligations.

We will make government smarter and stronger even as we make it leaner.

But even as we are making the tough decisions necessary to live within our means, we also recognize that there are certain priorities that we simply cannot abandon.

That's why we have added new initiatives to the budget -- carefully, judiciously, surgically in those areas where it is needed.

One of those areas is education.

I believe that we have no greater obligation to the next generation than preparing our children for the future.

This year we will add \$10 million dollars for a new literacy initiative -- the first piece of a four-year, \$40 million program that includes putting reading coaches in schools that need them.

It's time to ensure that our third graders can read at or above grade level, because we know there's nothing more important to guarantee a child's success than literacy.

As part of our commitment to having the best-prepared work force in the nation, we are following through on our promise to establish "career academy" partnerships with business.

This is a bold step, creating a new partnership with the private sector as part of our effort to change the way we think about education.

We recently received our first commitment -- \$500,000 from Pfizer Corporation -- to create a career-themed academic program beginning this September.

This academy will incorporate technical training, work-based experience, and mentorships for students at a New Jersey high school.

My deepest gratitude goes to Pfizer Chairman Hank McKinnell for answering our call.

This budget also authorizes \$10 million to restore the Office of the Public Advocate, which had been dismantled under the previous administration.

The public advocate will be the people's watchdog and fight on behalf of the average citizen on issues such as insurance and utility rates.

We will have special advocates to fight on behalf of children and to protect the rights of seniors.

We are also investing in security.

In the wake of September 11th, there are certain steps we must take to protect against future attacks.

We need to treat security as a shared responsibility between federal, state, local, and county officials.

We are allocating \$66 million dollars in state spending for homeland security.

This includes funding for the newly created Office of Counter Terrorism, under the Attorney General, which will be responsible for a comprehensive strategy to prevent and mitigate terrorist attacks in New Jersey, and coordinate with federal and local law enforcement agencies.

This also includes \$25 million dollars to strengthen our public health system to expand our labs, and to better equip hospitals and emergency medical teams to protect the public against new -- and old -- threats.

This will supplement \$27 million dollars in federal funds promised to our state to

combat bioterrorism.

And we are dedicating \$100 million dollars over the next four years to create a state-of-the-art administration and training facility for state police.

Another vital issue is cancer research.

I want to recognize Linda Gillick, who I know is here today, to thank her for her tireless work on children's cancer clusters in Toms River and around the state.

In this budget, we provide \$28 million dollars for the Cancer Institute of New Jersey, which will help make the institute one of the premiere cancer research facilities in the nation.

A new grant of \$500,000 dollars will go to the Cancer Cluster Task Force, to investigate cancer clusters such as the one in Toms River.

And we are dedicating \$30 million dollars for a broad range of anti-tobacco initiatives, to help New Jerseyans quit smoking and to prevent them from starting.

We faced a lot of choices as we put this budget together -- a lot of very difficult choices.

At every step along the way, we went back to our most fundamental principle: We put taxpayers first.

Faced with an enormous \$5.3 billion dollar deficit, the old way would have been to raise the sales tax and the income tax.

That would have been wrong.

Or we could have cut the billions of dollars in aid we provide to local school districts and municipalities, thereby forcing them to drive up property taxes on already overburdened homeowners.

That, too, would have been wrong.

Those are the traditional solutions we've seen state government rely on so many times in the past.

But we did not do those things.

Instead, we painstakingly reduced the size of government.

We shrank agencies ... we cut programs.

Let's be clear.

We are maintaining our commitment to the hard working middle class families of our state.

I will not raise our income taxes.

I will not raise our sales taxes.

And I will not reduce the property tax rebate programs that provide direct relief to middle class taxpayers.

Here is what we are doing.

First, we are maintaining state aid to schools and local governments at last year's levels.

This is the single biggest portion of the state budget -- nearly \$10 billion dollars, or nearly 50 percent of what we spend.

By refusing to cut this aid even by one cent --

and by maintaining our support for the \$12 billion dollar school construction bond program --

we are affirming our commitment to improve our schools and communities AND to provide property tax relief to residents of the state.

As a former mayor, I refuse to accept the premise that school districts and municipalities can't make the same hard choices we have.

Just as the state is required to do more with less, so must local governments and school districts.

Despite the size of the state deficit, we also protected New Jersey SAVER rebate programs as a direct offset to rising property taxes.

Rebate checks will remain at last year's levels -- an average of \$500 dollars in direct property tax relief for each taxpaying family in the state.

The increase will be deferred because we simply do not have the money.

And I refuse to spend money that we do not have.

As I promised, we are also going to put an income cap on the SAVER rebate to target it to the people who need them most.

From now on, families earning more than \$200,000 dollars per year will not be eligible for the SAVER.

As we promised, that savings -- about \$48 million dollars -- will be put towards paying down the state's debt, which has grown too much, too fast in recent years.

We will follow through with the promised increases in the Homestead rebate program for seniors, because seniors are among the hardest hit by New Jersey's exorbitant property taxes.

Homestead rebate checks for seniors will increase this year to as much as \$775 dollars.

The senior property tax freeze, under which seniors receive a rebate for the portion of their property tax bill that exceeds what they paid in the previous year, will be expanded in this budget.

As promised, the income eligibility level will be doubled, so that more than twice as many seniors -- tens of thousands of people -- will be eligible to receive the benefits of this program for the first time.

For a married couple, the income eligibility level rises from \$22,000 dollars per year to \$44,000 dollars.

We're also making changes to the Corporate Business Tax which is neither fair nor equitable.

It's broken. And we're going to fix it.

The changes I am proposing today are designed to ensure corporations pay their fair share, just as every New Jersey family must do.

The Corporate Business Tax once accounted for 15 percent of all state revenues collected.

But today, it's less than 5 percent -- which means that the rest of us are paying the bill.

If we don't fix this tax now, the amount we collect from corporations now will only be as much as we collected from them 20 years ago.

Why are corporate tax revenues so low today?

Because some companies are using loopholes and accounting gimmicks to make their profits look smaller.

They're shifting money from their New Jersey books into out-of-state companies ...

or they're changing the structure of their companies on paper from one legal designation to another ...

all to avoid paying our taxes.

Consider this:

Of the 50 companies with the largest payrolls in New Jersey, 30 of them paid only the minimum corporate tax: \$200 dollars per year.

Two hundred dollars per year...

That's less tax than would be paid in income taxes by a single parent with a child, earning \$25,000 dollars a year.

And that's not acceptable.

You don't need to be an accountant to know those loopholes are not fair and must be changed.

We're going to make sure that all companies are paying their fair share.

We're going to restore the integrity of the corporate income tax by eliminating the loopholes and gimmicks that have allowed companies to shirk their responsibilities.

Last year's budget anticipated \$1.8 billion dollars in revenues from the corporate business tax -- and we didn't get there.

This year, we're going to restructure the tax to provide for greater equity and fairness to achieve the \$1.8 billion dollars in revenues that the Legislature intended a year ago.

We're going to do this fairly, so that companies that have already been paying their fair share are not affected.

And we're going to take steps to protect small businesses, so that they are not adversely affected by the changes.

This budget also proposes securitizing a portion of the state's expected future payments under the national tobacco settlement.

This will raise slightly more than \$1 billion dollars.

This step -- which several other states have taken as well -- reduces the risk to the state in the event that the tobacco companies fail to meet financial projections under the tobacco settlement.

Finally, like many other states in the region, we're proposing a 50-cent hike in the cigarette tax.

This is sound fiscal policy and good public health policy.

Studies have clearly shown that increasing the cost of a pack of cigarettes is one of the most successful ways of reducing smoking.

That change will raise about \$200 million dollars.

As I have said, this budget will not solve every problem.

The record economic growth of the 90s is over and we simply cannot spend money we don't have.

Ladies and gentlemen, members of the Legislature, cabinet officials, I am proud of the budget that I submit to you today.

I believe it is a road map that will lead us to a stronger New Jersey.

But as we work together and continue to face difficult choices, we must hold fast to our principles.

Now, I ask for your work.

I am asking you to join with me in partnership to enact this budget for the benefit of the citizens we were elected to serve.

I ask you to join with me putting the interests of our hard working people and families first.

I ask you to join me in refusing to balance this budget on the backs of already overburdened taxpayers.

As we begin the process of enacting this budget, I want your suggestions and your advice.

If there are parts of my budget that you cannot support, please come up with something of equal value to replace them.

But do not idly criticize without an alternative. I mean to hold us all accountable and responsible for our actions.

I am ready to listen.

I said several weeks ago that we must be tough and we must be fair.

I believe that we must work together in the weeks ahead.

If we uphold the principles I have outlined today, we will indeed have a balanced budget which represents the right priorities for New Jersey's families.

And most importantly, we will lead New Jersey to build prosperity and opportunity for all the citizens of our state.

Thank you. Now let's get to work.

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