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[Home](#) > [Newsroom](#) > [Press Releases](#) > 2017

## Governor Chris Christie's Fiscal Year 2018 Budget Address As Prepared for Delivery

Tuesday, February 28, 2017

Tags: [Budget and Spending](#)

### Governor Chris Christie's Fiscal Year 2018 Budget Address As Prepared for Delivery

Trenton, New Jersey

February 28, 2017

This is the ninth time I've come before a joint session to address our state's budget. Each time I've had specific goals in mind; guiding principles to follow. Government should get smaller. Taxes shall not be increased. Our core commitments must be met. Each time, with varying degrees of struggle, harmony and acrimony, we have reached these goals – I have stuck to those principles. Let me assure you that today will be no different.

The journey to greater fiscal health over the last eight years, from the depths of the recession to our economic growth of today, has taken many twists and turns. In 2010, New Jersey was in the middle of a fiscal crisis created by the great recession and a history of reckless taxing and spending by state government.

When I entered office, the State faced an immediate \$2.2 billion mid-year fiscal deficit. Even far worse was the breathtakingly large \$10.7 billion projected budget shortfall for FY 2011. We faced a staggering \$13 billion two-year budget gap.

Welcome to the old days in Trenton.

I was elected in 2009, and reelected in 2013, to sweep away the practices and the policies that brought us to the fiscal brink in 2010. Regular tax increases that dragged our state to zero net private sector job growth from 2001-2009. Exploding state spending and government employment that grew not only our expenses for the present but an unsustainable set of obligations for the future. A regulatory scheme that choked businesses, acted as a hidden tax on all of us and frustrated our citizens simply trying to get a permit.

The budget was also propped up with endless gimmicks. Billions of temporary federal stimulus funds, and the fantasy of temporary income tax hikes, corporate surtaxes, temporary employee furloughs. One shots used in a desperate attempt to make New Jerseyans believe that the state was on solid ground.

Let me assure you it was not.

Despite plummeting tax revenues even in the face of dozens of tax rate increases, state spending increased over the previous eight years. As the national economy faltered, spending in Trenton soared –increasing 58% from 2001 to 2008, over 8% per year, each and every year. And despite all that spending, barely any payment made to a pension system that grew less and less stable by the year.

The temporary plugs did what all things temporary do – they quickly faded away leaving a huge budget hole. What did Trenton do back in the old days? Tell the taxpayers that they would fill it. Yes, I ran for Governor in 2009 promising that those days would not continue and in February of 2010 we began the work to make that promise the reality it is today.

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I cut government. And, it was overdue. Deep, but necessary, cuts were made to every department of state government.

Today, that failing and bloated state government that I inherited in those cold and dark days of 2010, is more than 11,000 employees smaller. While shrinking the government workforce, we've also shrunk the actual footprint of government infrastructure. The State has vacated 1.5 million square feet of State-owned properties in the past seven years – many being sold and bringing in revenues of more than \$10 million. Lease payments have decreased by \$15 million annually. We have sold and shuttered those thousands of government cubicles to try to insure that the 2009 promise of a smaller government made and kept to our taxpayers cannot be broken by a new administration swollen by frivolous election year promises. The people in this room are the only folks who may be able to spare the public the exploding tax rates which would inevitably come in the wake of someone actually trying to keep those election year fantasies. We set the tone for smaller government at the state level and it has relentlessly spread to every level of government. I committed to leaving our state better than I had found it in 2010, and through these actions, we have done it.

The 2% property tax cap that we worked together to enact is doing its job. Since I took office, property taxes have gone up on average only 2.04% per year. Compare that to the 7% per year that they went up in the decade before I took office. A better New Jersey than we inherited in 2010 on property taxes.

And local governments are learning the same lessons that we've been demonstrating in Trenton. There are 21,000 fewer employees in county and local government jobs today than there were when I took office. In total, that means 32,000 fewer jobs at all levels of government today than there were in 2010. This did not happen by accident – it is an underreported fact that should give our citizens more faith that we can do more with less.

We cut spending, we cut red tape, and we unleashed the potential of our businesses with targeted tax cuts. At the same time, we honored our commitment to provide for our most vulnerable New Jerseyans.

And because of the hard decisions made over the past seven years and the targeted investments we made to grow the economy and not grow government, I am proud of the FY 2018 budget I am presenting to you today.

Our discretionary spending is \$2 billion less than it was in 2008. We are once again providing the most funding to New Jersey schools in State history. School aid, municipal aid, and direct property tax relief programs account for \$17.4 billion in my FY18 budget proposal. That is nearly half of the budget that will go to offset the burden of property taxes on our citizens.

I will make a pension payment of \$2.5 billion – \$647 million more than the fiscal 2017 amount. And due to a responsible piece of legislation I signed into law, we will now make those payments quarterly. Just the latest reform to our pension system to add to our 2010 and 2011 reforms. We have done more for the solvency and stability of the pension system than any Governor in history despite all the empty rhetoric to the contrary. And there is more to come.

And most importantly, we are once again balancing our budget by being responsible stewards of the State's finances, rather than through budget gimmicks or by adding even more taxes on the backs of our citizens. This will be the first Governorship in memory where no taxes were raised to add money to the general fund – no more endless feeding of a beast that would never be satisfied under the old ways.

In 2009, the budget was also balanced through 13.2% of one shot revenues. Today, that is down to 2%. We are making due with less, rather than simply demanding more from our citizens. Trenton will be a much more welcoming fiscal climate for the next Governor in 2018. We have slayed the ghosts of fiscal irresponsibility that haunted this house in 2010. We have established a new baseline for government.

But the challenges to maintain a healthier fiscal climate in New Jersey require discipline to keep moving toward smaller government and lower taxes. This is never easy and the temptation to go back to our old ways, which led to no new private sector job growth for a decade, will be around every corner in this election year.

The next Governor cannot take their eye off the ball and slide back into bad spending habits, bad budgeting and the unrealistic expectation that more taxes can be tolerated by our citizens and businesses. The public will not tolerate it and they will kick out those who do it. If you do not believe it, I refer you to our history books and the elections of 1991, 1993 and 2009. Past is prologue.

The results of this fiscal discipline and holding the line on taxes are undeniable.

Since I took office, New Jersey has seen seven consecutive years of private-sector job growth. We have created 282,000 private-sector jobs. We have recovered all of the jobs lost in the Great Recession and have grown an additional 33,000 jobs on top of that. And we would have grown even faster if we had followed the prescription that other states followed by lowering taxes even more. We now have steady job growth in a private sector that was moribund for 10 years before we arrived to cut budgets and hold the line on taxes.

We began to improve New Jersey's uncompetitive business tax climate with meaningful tax cuts and tax reforms that businesses had been begging for and were stalled in Trenton for years before we pushed them through and into law. Those tax cuts have provided more than \$3 billion in tax relief to our business community.

This is on top of the \$1 billion in tax relief that we've provided for our employers through reforming our bankrupt unemployment insurance trust fund. For years Trenton had stolen money from this fund to prop up their irresponsible spending. When we arrived in 2010, the fund was billions in debt to the federal government and rife with fraud and abuse. We put an end to it. We amended the constitution so that politicians will never be able to

steal money from this fund again. This fund is meant to be a rainy day fund for our citizens facing the tragedy of a lost job, not a piggy bank for irresponsible Trenton spending.

Now, at a positive balance of \$1.9 billion, New Jersey is well ahead of schedule and we will save employers more than a \$1 billion in taxes over the next five years.

When I took office, the unemployment rate was 9.8%. Today it is 4.7%. That is more than cut in half. That is the lowest it has been since 2008. New Jersey's unemployment rate is now below that of the nation as a whole; that was simply unthinkable when we entered office in 2010. New Jersey has come back and our economy is consistently growing once again. The numbers prove it. A better New Jersey in 2017 for employment than we inherited in 2010, with more New Jerseyans working today than at any time in our history.

With the Legislature, we passed the Economic Opportunity Act to make New Jersey a more competitive place again for businesses to invest, build and grow jobs. 269 projects have been approved bringing \$7.3 billion in private investment to the State, while creating and retaining more than 61,000 jobs for our citizens. This was another bipartisan effort to reduce taxes – with even more to come.

And we are creating good jobs. Since I took office, the personal income for New Jersey citizens has risen by 25%, a strong growth rate of 3.5% annually. This is due to an aggressive approach by my Administration in recruiting the nation's top industries to our State, by showing the nation and the world that New Jersey's infrastructure, geography, and higher education institutions are second to none. We have made New Jersey a place where government was getting smaller, taxes were going down and budget stability returned. What happened as a result? Our businesses in America started calling New Jersey home again.

Amazon. Forbes. JP Morgan Chase. Barclays. Sharpie. Rubbermaid. All coming to New Jersey to do business.

In 2016, Amazon announced its plans to open 2 more fulfillment centers in New Jersey – an 800,000-square-foot fulfillment center in Carteret and a 600,000-square-foot center in Florence. The e-commerce giant opened a 1-million-square-foot fulfillment center in Robbinsville in 2014. In 2015, Amazon increased its investment with a state-of-the-art fulfillment center in Carteret. Amazon currently has 5,500 full-time workers in New Jersey. The new facilities will add another 2,000 full-time jobs, making Amazon one of the State's top 20 employers.

Also in 2016, Newell Brands, the maker of Sharpie markers and Rubbermaid containers, announced it will relocate its headquarters from Atlanta to Hoboken to capitalize on East Coast talent for its growing e-commerce operations. Newell Brands decided, as Choose New Jersey says, that our state is highly educated and perfectly located.

In 2015, JPMorgan Chase announced a move of more than 2,100 jobs from Manhattan to Jersey City, bringing the total number of JPMorgan employees in Jersey City to about 7,000.

Forbes Media opened its new offices in 2014. Based in Manhattan for decades, the prominent media company relocated 350 jobs across the Hudson River to a mixed-use development site in Jersey City with the assistance of the Grow NJ Program.

Working to attract one critical business after another, we have rebuilt New Jersey's job market with tax incentives, tax cuts and smaller, more reliable government.

We also needed to continue to maintain and modernize our transportation infrastructure. While we had spent over \$22 billion on infrastructure in my first seven years as Governor, I knew we needed to do more. The only way to do that was to increase the gas tax. But I steadfastly refused to do that without tax cuts that equaled or exceeded any gas tax increase. The pundits and some politicians said that achieving tax fairness and building our infrastructure at the same time was impossible. Once again, by standing our ground and building consensus, we proved them wrong.

I signed a comprehensive tax reform bill, unlike the prior countless bills that only increased taxes that were sent to me by the Legislature, which I have vetoed time and time again. This bill was different than the dozens that had been sent to me before by this Chamber. This time the taxpayers had someone on their side. And in exchange for increasing the gas tax by \$1.2 billion, which is borne by both our citizens and the thousands of out-of-state commuters who traverse our state and use our roads on a daily basis, we were able to cut taxes \$1.4 billion and reduce the tax burden that had been strangling the long term affordability of New Jersey.

What did we do?

We reduced the sales tax for the first time in decades. We provided an enormous tax cut for retirees so they can stay in their homes and end the unfairness of double taxation of retirement income. We eliminated the death tax so that people do not flee our state to avoid us fleecing them at life's end. We provided tax savings for our loyal veterans. We increased the EITC to 35% of the federal tax credit. We now provide one of the richest earned income tax credits in the entire nation, to support our working poor. Everyone who works today or has worked in our state saw their taxes cut. I am sure New Jerseyans could barely believe their eyes or ears.

The new Transportation Trust Fund reauthorization that we reached together will ensure a 25% increase in funding for the maintenance and improvement of the State's transportation network.

The new TTF will provide \$32 billion to maintain and upgrade our roadways over the next 8 years. The largest and longest transportation investment program in State history. I committed to leaving New Jersey better after eight years than how I found it. Through a bill which lowered taxes and increased funding for our roads, bridges and mass transit, we are keeping that promise too. In 2010, we inherited a state where funding for infrastructure had not been increased for 22 years. In 2017, we have a state with funding increased 25% and the longest infrastructure improvement plan in state history. A better New Jersey today than we inherited in 2010.

To jumpstart this investment and create jobs, I am proposing today a \$400 million supplemental appropriation in this fiscal year to address bridge deficiencies and the state of good repair for roads in all of New Jersey's 21 counties. And we will spend these funds and make these investments quickly over the next 100 days. We will expedite technology enhancements and other infrastructure improvements for New Jersey Transit. This \$400 million will allow the NJ Department of Transportation to deliver the largest construction program in state history starting right now. The result will be smoother roads, safer bridges and a more technologically sound mass transit system – all great things for New Jersey commuters.

In 2013 we provided \$1.3 billion in capital funding for 176 projects at 46 of our higher education institutions. Last June, we provided an additional \$180 million for 35 more projects targeting programs that boost technology, support the health sciences and renovate laboratories at learning institutions across the state. Combined, that is a \$1.5 billion investment in our children's future, and in helping our State maintain its status as a highly educated center of industry. We are the first Administration in over 25 years to invest in expanding and modernizing our colleges and universities. Once again, keeping our promise to leave New Jersey better in 2017 than we found it in 2010 when we arrived. More seats at our colleges and universities. More modern classrooms and facilities. Better schools for our citizen. In higher education a much better New Jersey today than we inherited in 2010.

A private sector growing jobs. A public sector shrinking jobs, cutting taxes and investing in a more vibrant economy. A long-term commitment to our transportation infrastructure. A strategic investment in our higher education campuses to bolster a stronger, smarter workforce and to keep New Jersey's students in New Jersey.

Investment in the state's bricks and mortar infrastructure has never been higher. But just as importantly, investment in the social infrastructure to protect the State's most vulnerable has also increased over the past seven years even with the smaller government we have achieved.

My FY18 budget increases funding to NJ FamilyCare, the State's Medicaid program. Since New Jersey expanded FamilyCare in 2014, we have seen an additional 487,000 uninsured New Jersey residents gain coverage. In light of political pressure to do otherwise, we stood up for our neediest citizens. Not only did this expansion provide reliable medical coverage to many formerly uninsured residents, the infusion of federal dollars has generated meaningful savings to the State budget.

This expansion of NJ FamilyCare has led to a dramatic decrease in uninsured residents. As such, this will allow for a \$25 million reduction in State funding for Charity Care in fiscal 2018.

However, we continue to be concerned about a doctor and nurse shortage in our state. So, we are investing a portion of this savings into our Graduate Medical Education program. The program will increase by \$30 million in combined State and Federal funds this year. This will ensure that New Jersey residents have continued access to well-trained doctors and encourage those doctors to develop roots and make New Jersey their permanent homes. In this Administration, we have opened medical schools, made Rutgers a giant in healthcare education and training and improved Rutgers funding from number 55 to number 18 in the nation. Once again, leaving New Jersey better than we found it.

As a result of reforms initiated under the Medicaid Comprehensive Waiver, adults with intellectual and developmental disabilities who are living independently or with a family are becoming eligible for substantially increased in-home support services for which the State will receive a federal match. This additional \$100 million in matching funding will grow the program to an estimated \$200 million with expanded services. For the developmentally disabled community and their families, this will give them even more help to bring great joy to their lives. This particularly vulnerable community, a community with great potential for growth, will not be forgotten or left behind by this Administration. Once again, leaving New Jersey better than we found it in 2010.

In FY 2018, we will invest \$20 million to fund lead remediation assistance for low- and moderate-income households in New Jersey, and to meet the funding needs required by new regulations to identify elevated blood-lead levels in children. It was this Administration that reacted quickly and decisively to deal with this issue by adding immediate funding last year. We continue that commitment to our citizens health in this budget.

Fighting the addiction crisis facing New Jersey has been and will continue to be in the next 10 months a top priority in my tenure as Governor.

We have made unprecedented increases in the amount of funding provided for addiction services since I took office, increasing the amount of combined State and federal funding by 52%, from \$282.7 million in fiscal year 2010 Appropriations Act to a recommended \$430 million in my FY2018 budget.

When I came before you last month, I spent a majority of my time talking about the scourge of drug addiction and how it is impacting the lives of every citizen of our State. My budget proposal for 2018 includes vital funding for the proposals that we talked about then, in addition to maintaining other critical funding to combat this epidemic. I would like to praise the work of this body, in showing that we can work quickly together, when our citizens are most in need. Last time we were together, I put forward a package of bold proposals to dramatically shift the way addiction and substance use services can be obtained. I challenged you, the Legislature, to deliver to me a bill that made these proposals a reality, and you did just that. When I signed that legislation less than two weeks ago, we showed the nation once again, that in New Jersey, when we work together we can accomplish anything. We showed again that New Jersey is a leader in fighting the terrible disease of addiction.

As mentioned, there are also several proposals that I announced in January that are reflected in my proposed FY2018 budget. It provides an additional \$5 million for the statewide expansion of a successful pilot program aimed at improving the capability of primary care physicians to screen, care for, manage and increase access to mental health services for children with behavioral health conditions and substance use issues.

Last month, we also announced an additional \$12 million investment for residential services within the Department of Children and Families to allow 18-19 year old young adults to receive substance use services in their facilities. In addition, at my direction, the Department of Health has advertised for the need of up to 900 newly licensed hospital beds for the treatment of residents suffering from co-occurring behavioral health and addiction issues.

My FY2018 budget also provides an increase of \$1 million in funding for the expansion of the Recovery Doms program to further support our college students who have been caught in the addiction epidemic.

The State's commitment to the Recovery Coach Program continues in fiscal 2018. The FY2018 budget provides \$2.8 million in funding to continue supporting this program, which reaches and connects drug overdose survivors with treatment, counseling and support services in the immediate aftermath of their overdose.

We are also following through on our commitment to take a smarter and more effective approach focused on treating drug-addicted offenders. Our Drug Court Program is working in all 21 counties and my fiscal 2018 budget provides nearly \$64 million to ensure its continued success.

But we need to do even more and we can with willing partners. Today, I am calling on the Legislature to join with me in partnering with the insurance industry to take action to fight for our underserved in this state.

Five years ago, Blue Cross Blue Shield of Massachusetts took the initiative themselves, without government intervention, to limit the distribution of prescription painkillers. They are also finding and coordinating care with detox programs to lessen relapses and funding recovery coach programs. In New Jersey, government has taken the sole responsibility for these actions.

Horizon Blue Cross Blue Shield of New Jersey enjoys non-profit status despite making billions of dollars. They insure over 55% of the health insurance market. They used to be known as the insurer of last resort in our state, but no longer have that burden and responsibility. Since I expanded Medicaid in 2013, the state and its taxpayers are the insurer of last resort, lifting a great burden from Horizon. They have over \$2.9 billion in surplus on nearly \$12 billion a year in revenue. While some would argue for converting Horizon to a for-profit company, which would bring a windfall of billions of dollars to state taxpayers, I am not advocating that move today. Nor am I suggesting that we use Horizon to fill any budget gaps. Our budget is balanced and needs no such one-shot gimmicks to be balanced.

No, what I propose today is that we work urgently to establish a permanent fund that Horizon would fund every year through their abundant surplus, provided by their 3.8 million New Jersey members, to support our most vulnerable population who access Charity Care and Medicaid.

Today, I would propose we use this fund to help this population gain even greater access to in-patient and out-patient drug rehabilitation treatment. This is a public health crisis which is killing our citizens at an alarming rate. These funds could be used to provide the most vulnerable with access to treatment and hope for an even healthier future.

As the sole insurer with this unique non-profit status and historically charitable mission, Horizon shares in the financial obligation of caring for our most vulnerable citizens and can set aside in this fund excess surplus monies and other revenue to support our efforts to beat this disease. Today, it is drug addiction. Tomorrow, this fund could be used to support our hospitals mission or the ever increasing need for healthcare for the poor.

I am confident Horizon will embrace this opportunity and partner with us to establish this permanent, sustainable fund. They will not turn their back on the people of New Jersey who pay their salaries and, as the people's representatives, we will partner with them to make sure it happens by June 30.

We are changing the way that our corrections system deals with substance use disorders. As I promised last year, Mid-State Correctional Facility will be reopening this spring as an institution dedicated to drug treatment. The new Mid-State Correctional Facility substance use disorder treatment program will be licensed by the Division of Mental Health and Addiction Services. My FY18 budget provides \$2 million in additional funding to provide for the new mission of Mid-State.

The reason that we were able to close Mid-State prison and reopen it as an institution dedicated to drug use, is because of our new approach to drug-addiction. We have refocused our attention on the individuals who are suffering from drug addiction and helped them reform their lives. During my time as Governor, we have decreased our prison population by nearly 22%. Prison population has dropped at every one of New Jersey's prisons. By bucking a national trend with our dramatic drop in prison population, we are showing that we can also leave this aspect of New Jersey life much better than when we found it in 2010.

And this prison population reduction has not come at the cost of our public safety. Crime rates have dropped 20% during my time as Governor. I entered office in 2010 as New Jersey's former U.S. Attorney promising to make New Jersey a safer place for all of our citizens. By appointing outstanding people as Attorney General and supporting the mission of our police, we have accomplished that goal. Thanks to Paula Dow, Jeff Chiesa, John Hoffman and Chris Porrino for your stewardship of our state's safety and for helping me leave New Jersey safer than we found it in 2010.

I am proud to report that my 2018 budget plans for the closure of another one of the State's prison facilities. Due to the continuing decrease in the State's prison population, we will be closing the satellite wing of the Bayside State prison located at the Ancora Psychiatric Hospital. The approximately 250 inmates currently housed there will be moved to our other facilities. There will be no layoffs as a result of this closure and we will work with the existing employees for a smooth transition between other roles in the Department of Corrections. We have made reducing the prison population a hallmark of this Administration. Tough law enforcement does not mean warehousing our citizens to make our streets safer.

Working together we put forward a constitutional amendment that the citizens of this State passed to reform New Jersey's criminal justice system. Those reforms will keep dangerous individuals off the streets by allowing judges to hold people charged with the most serious violent crimes without bail. No longer will gang bangers use cash from drug deals to get out of jail and, before their trial, kill or intimidate witnesses. We trust our judges to keep violent sociopaths behind bars where they truly belong. And we will hold them responsible for meeting the mission the people have given them.

We have also made our bail system fairer by allowing individuals who commit minor, nonviolent offenses to avoid money bail for pretrial release. New Jersey should not have the equivalent of debtors prison in the 21st century. In January, we provided funding for 20 additional judges to address new pretrial release and detention proceedings, and my FY18 budget continues that funding. The poor should not spend months, or even years, in jail just because they are poor. Together we have ended this injustice.

As you can plainly see, my FY2018 budget continues to prioritize important spending to help the state grow and to help those who most need it despite the escalating costs of fulfilling our pension and health benefit obligations that continue to erode the State's ability to address all of the important issues we want and need to address as a State.

Almost every new tax dollar that comes in has gone to pay for pensions, health benefits and debt service. In this budget, over 82%. Without further reforms, the State can simply not afford to meet its obligations.

A key component of controlling government costs is controlling the spending that drives those costs. And as everyone is well aware the largest drivers of those costs are the defined benefit pensions and platinum plus health benefits that we provide to some, though not all, of our State employees.

We have made some progress in controlling those costs.

Our 2010 and 2011 landmark reforms were significant and will save taxpayers nearly \$120 billion over thirty years. For those who have called those reforms a failure, remember that number – \$120 billion. Those savings would not be there without these reforms and our system would have already buckled under that weight. And this year, through legislation to reduce prescription benefit costs and extensive negotiations with the State Employee's plan design committee, we were able to hold year-over-year health benefit costs nearly flat in Fiscal Year 2017 for the first time in the history of this Administration.

While those reforms will continue to bear fruit in the years to come, let me be very clear - they are not enough.

Even with the reforms that we have made, our increased pension payment and health benefit costs would represent 82% of the year-over-year growth in the budget.

In 2001, health benefit costs represented 4.5% of the State budget. In 2018, without reforms, they would represent 10% of the State budget.

This is not sustainable, and as such I am once again calling for the enactment of health benefit reforms in my budget proposal. My budget assumes \$125 million in health benefit savings from those reforms. And because these costs are also borne by the State's local governments and the employees themselves, this \$125 million in State savings will also equate to approximately \$127 million in local government savings and approximately \$30 million in savings to State and local government employees. Why would we not want to save this money for everyone—state and local government and our public employees? Let's not go through the brinksmanship of last year—let's pass these modest but important reforms by June 30.

In addition, in anticipation of the Legislature enacting meaningful out-of-network reform, I am recognizing budget savings for a reasonable transparency solution to out-of-network surprise billing that will allow employees to be in a position to choose for themselves whether they wish to pay higher rates to go out of network. It's a small first step in the right direction and it's hard to argue the benefits of transparency.

So let's talk about public sector pensions. For seven years I've been working to address this issue. We have passed larger reforms than any Administration in history. We have contributed 2 ½ times more money than the last 5 administrations combined.

While the need for real and sustainable long-term reform cannot be understated, addressing the continued compounding of our pension crisis requires a substantial increase in State contributions.

Accordingly, I am proposing increasing the pension payment by \$647 million over last year, to a \$2.5 billion pension payment in FY18.

To provide some context, the combined contributions of Governors Whitman, DiFrancesco, McGreevey, Codey, and Corzine were \$3.4 billion from 1995 through 2010. We are making a \$2.5 billion payment in one year. With this payment, we will have contributed \$8.8 billion to the pension system under my Administration. All without raising taxes to do so. But let's stop here for just a moment.

So, this Administration has taken extraordinary steps to control the runaway cost of defined benefit pensions via both a smaller, more efficient State government and common-sense pension reforms that have combined to reduce our pension liability by hundreds of billions of dollars. We have also contributed 2.5 times more in public money to the pension than the last five Administrations combined.

In addition, we have also been the most proactive administration at ensuring the benefits that our hard-working State employees have accrued will actually be there for them during retirement.

First, as I just outlined, this administration has been far and away the largest contributor to the pension system. Second, working with the Legislature, last fall we enacted legislation to provide for quarterly payments into the pension system, rather than continuing the past practice of making the entire contribution at the end of June. This will both provide more certainty that the full budgeted payment will be made each fiscal year, but also put funds into the pension system earlier, allowing the Division of Investment to put them to work longer for the pension, helping reduce the unfunded liability.

Finally, we have also decreased the assumed rate of return on pension assets from 8.25% when I took office to 7.95% in 2012, 7.90% in 2013, and down to 7.65% as of yesterday. By reducing the assumed rate of return, we are stopping the gimmickry. When we have too high an assumed rate of return, we are not telling the public the truth. We will continue to reverse the gimmicks of past Administrations. While this concerted effort has contributed to increases in the annual required contribution into the pension system, those payments are crucial in ensuring the long-term viability of the pension system. This has not been easy for us to do—but the right thing rarely is easy. We have obviously not done this to get credit—good thing because we haven't gotten any—we've done it for our state's pensioners and our state's fiscal health.

All in all, there is no question that this Administration has been the most focused in our State's history on shoring up our pension system.

Today, I am going a step further.

Following the lead of a number of private sector pension plans, one potential path to greater solvency is to make large transfers of assets into the pension fund. Such a scenario has the same effect as a cash infusion—the value of assets increases, thereby reducing the unfunded liability in our pension system.

In the case of New Jersey, we have one incredibly attractive asset that could be utilized in such a fashion—the State Lottery. This is a state-sponsored monopoly that spins off large amounts of cash. Today, though, we have no ability to recognize the significant value of that asset.

I am proposing to contribute the revenues from the Lottery to eligible pension plans. The contribution would have the immediate effect of reducing the unfunded liability of the pension system by approximately \$13 billion, and would increase the funded ratio of the pension system by almost 15 percentage points in one fell swoop, from 49% to 64%. This would also significantly reduce the amount we have to pay into the pension system every year out of the general fund.

I look forward to sitting with all stakeholders right away to discuss the specifics of implementing this plan. But let's be clear, if implemented correctly this action would increase the value and stability of our pension funds immediately and would please bond investors and credit rating agencies, also giving greater confidence to New Jersey's public employees. I am committed to making every effort to fix our long-term pension problem. This type of bold action can make it achievable. On pensions, put aside the ideology and the rhetoric and the facts show that we can leave the system much better than we found it in 2010.

Finally – let's talk about School Funding.

For the seventh consecutive year, my budget proposes the highest amount of school aid supporting education in New Jersey history. I am proposing more than \$13.8 billion in spending on education. Of that, approximately \$9.2 billion represents direct aid to schools. Now, this represents 39% of our entire state budget for fiscal year 2018. For the naysayers, no amount will ever be enough. But the facts are that we have contributed more money to K-12 education than any Administration in history.

I spent a lot of last year traveling around the state having candid conversations with taxpayers about something that's, unfortunately, in dwindling supply in government these days . . . fairness.

That's right, regular people and I spent some time talking about the element of fairness when government goes about taking and spending our hard-earned dollars. We also talked about fairness in school funding, which we all know represents nearly 40% of the entire state budget.

Anyone who has heard my message about school funding won't be surprised to hear me say today, as plainly as I can, that school funding in New Jersey is not fair. It is crippling so many school districts and it is driving people out of the state due to ever increasing school costs. Certain municipalities are ripping off the state; certain school districts are being ripped off.

To me, fairness in school funding means nothing other than equal funding for each and every student. No student should be less valuable in the eyes of the state than any other student.

But just standing here and saying "fair" over and over doesn't change the reality of the situation. Like "fairness," "reality" is an under-recognized concept in Trenton these days.

When I was first elected to the governorship, the latest and greatest legislative school funding formula -- the SFRA -- was in its infancy. Introduced in the legislature on January 3, 2008, ushered through the committee process the same day, passed by both houses within four days of introduction, signed by our preceding governor on January 13, 2008, the SFRA was on the fast track and it was supposed to be all things to all people. Those who questioned it were told, fear not. This formula was affordable and would work. The reality -- it is not fair, it is not affordable and it has not worked. We should have known -- and some of us did.

It was legislation hatched by big government education "experts," supported by special interests, and "approved" by the New Jersey Supreme Court . . . how could anything go wrong?

Not surprisingly, the formula was detached from reality, both literally and figuratively. From the outset, it was a fantasy.

Let me be blunt. The SFRA is a disaster that fittingly caps decades of misguided educational funding experimentation by lawmakers and courts alike. Similar to tax fairness, school funding fairness cannot be imposed by a Governor acting alone. What is required are willing partners, both in the legislature and the courts.

So far in my time as governor, I have experienced the best and the worst when it comes to cooperation from my co-equal partners in the other two branches of government.

I thank the majority of the legislature on both sides of the aisle for working with me last year on tax fairness in the context of the transportation trust fund reauthorization. For six years I tried to reverse the tide of endless tax increases without any relief or hint of fairness. Finally, we were able to do some of that together last year, and New Jersey is much better off for it. It remains my goal to turn the tide of school funding fairness as well.

I proposed the fairness formula because I believe in it. I proposed it because I wanted to shine a light on the failure of the current formula. I proposed it to shove the other two branches into a real conversation to fix this problem. Well, in the last few months I have finally heard the leaders of the legislature admit what I've been saying for eight years – this system is unfair and broken.

So now I will make one final offer. In fact, I will make a pledge. I pledge to work with the leaders of the legislature to come up with a new funding formula. Everything is on the table. No idea out of bounds for discussion. I am willing to work with you to solve this problem without any pre-conditions on the ideas brought to the table.

However, here is my one requirement to offering compromise. 100 days. We have 100 days to get this done. No phony task forces. No blue ribbon commissions. No delays until next year. We get in a room and you get this done with me, for the families of this state, in the next 100 days. It took you 10 days to pass this failed formula in 2008. Let's take 100 days to pass one that is fair for all New Jersey students in 2017.

If we can't do it in 100 days, shame on us. We should do it before you face the voters again. We must do it before we, and our students leave for summer vacation. I am ready if you are ready.

Please understand that this offer is genuine and heartfelt. We have capped our property taxes together. We have capped public employee salary awards together. We have recovered from Hurricane Sandy together. We have reduced spending together. We have secured our Transportation Trust Fund together. We can and we must do this together.

But please be assured that if we do not do this in the next 100 days together, each branch will then be left to its own authority and its own devices to fix this problem on its own. I want to act with you. But, if forced, I will act alone. But it will be fixed before I leave this town.

These are our goals for this budget. Lower taxes. Controlling spending. Meeting and enhancing our commitment to our pension system. Highest school funding in state history. Confronting, head-on, the disease of addiction. This blueprint gives us the chance to do it and, if we are truly bold, a new school funding formula that is fair to all and a new partnership with Horizon to help beat the opioid crisis and serve those truly in need.

I recall vividly standing here on February 11, 2010, over seven years ago, facing a \$2.2 billion deficit with only 4 ½ months left in the fiscal year. I cut spending in over 375 state programs. We reduced school aid by \$475 million, the amount all state school districts had in their surplus accounts. We canceled the very modest \$104 million payment Governor Corzine had budgeted for the pension system. Unemployment was said to be 10%. Revenues were down by over \$1.2 billion. The previous Administration had spent \$800 million in non-budgeted supplemental spending on the way out the door. And just over the horizon? A second budget speech 33 days later for the fiscal year 2011 with a projected deficit of \$10.7 billion. Those were dark, dark days. If you listen to some of the partisan pundits or read the liberal editorial pages, they would have you believe that today is no better or even worse, than that dark day. But what do the facts tell us about today and all the efforts we've made 2,572 days later?

Not deficit, but a balanced budget and a health surplus. Not reducing school aid by \$475 million, but having increased it by over \$3.3 billion since that day. Not cancelling an insignificant \$100 million payment to our pension, but making a \$2.5 billion payment, the largest in state history. Unemployment cut in half. All the jobs from the great recession back plus 33,000 more to spare. Lower income taxes for seniors. No death tax for anyone. Lower sales tax. And property tax increases reduced by 72%. \$32 billion budgeted and paid for to build state infrastructure. Business taxes cut by \$3 billion. \$1.3 billion invested to grow and modernize the classrooms and laboratories for our state colleges and universities. And all of that having been done while recovering from 2nd worst natural disaster in our nation's history and having to, for a second time, rebuild our tourist industry at the Jersey Shore. And, let's not forget, for the first time in recent memory no general fund tax increases for seven years. No sales tax increase. In fact, two sales tax cuts for our citizens. No business tax increases. In fact, a \$3 billion job-creating business tax cut. And for the working poor, a 35% Earned Income Tax Credit, the largest tax cut for the working poor in New Jersey history and one of the largest in the nation.

February 28, 2017 no better than February 11, 2010? Worse than February 11, 2010? No chance. Facts are stubborn, stubborn things.

We still have work to do. We will always have work to do. We are New Jerseyans—we are always striving, we are never satisfied. But I am proud of what our collaborations and conflicts have achieved. This is a better state today—a much better state—than it was seven years ago; by almost every measure. And I am a better person and a better Governor for having worked with all of you and for having the great honor to lead the state I have always called home.



Let's not quit now—let's work together to make things even better a year from now. I am ready. I am willing. Let's get to work one more time.

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