

# ANNUAL MESSAGE TO THE NEW JERSEY STATE LEGISLATURE

THOMAS H. KEAN, GOVERNOR

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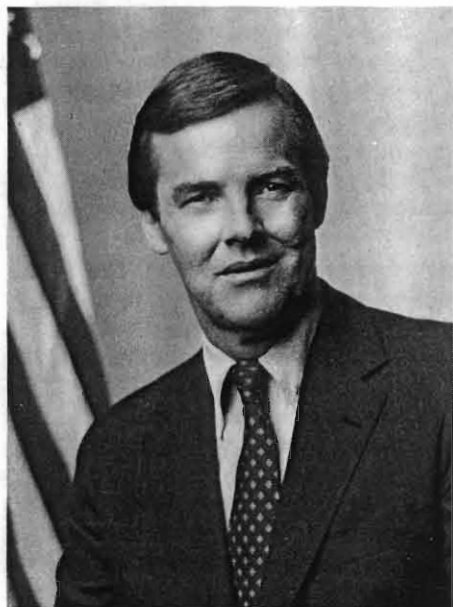
*"The challenge before us now  
is to build on our foundation; to  
deepen New Jersey's justifiable pride;  
to fulfill the bright promise that is  
New Jersey's future."*

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January 8, 1985



# INTRODUCTION



**T**o the Members of the Legislature:  
I come before you to report that New Jersey stands as strong today as it has been at any time during its proud history.

As I speak to you today, New Jersey stands as a leader among states.

During the past year, we have demonstrated formidable economic strength and diversity; we have aggressively strived to maintain our place as the pioneer state in addressing difficult and complex environmental problems; we have begun to implement a bold and innovative program to improve our educational system that has placed New Jersey at the cutting edge of educational reform in this country; and we have worked to capitalize on our vast and diverse human resources.

Our efforts have been a success.

*"There is an unmistakable sense of pride that is alive and growing in the Garden State."*

There is an unmistakable sense of pride that is alive and growing in the Garden State. It can be seen on the thousands of faces across our state, from the bustling streets of Hoboken and Jersey City to the expansive farms of South Jersey. It can be heard in the voices of thousands of our citizens when they

explain their love for our great state to those who are just discovering its joys. It can be witnessed in the eyes of all of us who are proud to call New Jersey our home.

That pride is no mistake. It springs from the knowledge that we have accomplished much, and from the conviction that we can do even more.

We have accomplished much. 300,000 more New Jerseyans are working today than on the day I was sworn in to this office. Not only are more New Jerseyans at work than ever before, but our state enjoys a lower unemployment rate, a higher average personal income, and a more robust growth in new construction than the nation as a whole. New Jersey is on the move.

Three years ago, we inherited a budget deficit of almost \$500 million; today the state budget is in surplus. Three years ago, the state had accumulated an unemployment insurance debt of over \$600 million that resulted in extra taxes on our employers; this year, that debt will be paid off and the surcharge removed. Three years ago, we faced a prison overcrowding crisis of alarming proportions; by the end of this year, we will have added almost 5,000 bedspaces to that overburdened system. Three years ago, we faced a crisis of confidence in this state; today New Jersey's spirits are soaring.

1984, thanks in no small measure to your cooperation, was a year of particularly noteworthy accomplishment. It was a year in which we made wise investments in the future. Your passage of the Transportation Trust Fund, which I proposed at this time last year, will cement the economic gains we have made thus far and put us in the position to continue them for years to come. The adoption of the Jobs, Science and Technology Bond Issue can help our system of higher education achieve the pre-eminence it should have, and will foster the academic-industrial cooperation that is so essential to continued economic growth. The unemployment insurance reform law, which we enacted last year, will help us attract even more companies to New Jersey by removing a major economic disincentive. The Atlantic City reinvestment legislation which you passed last month will allow us at last to fulfill the promise which casino gaming held for that troubled city. And the State and Local Expenditures Revenue Policy Commission, the creation of which I asked for in each of my last two Annual Messages to you, will give us the tools to develop and enact meaningful reform of the state's complicated taxing and

spending practices.

I want to thank you for the cooperation you have exhibited during this past year. It has enabled us to move forward with a range of sound and needed reforms and programs. The immediate result is better government; the ultimate result will be a better state.

I ask for your continued help in the year ahead. Our task is far from finished.

Despite the innovative leadership of our Department of Environmental Protection, New Jersey faces a series of environmental problems that will test our resourcefulness and our resolve in the years ahead. Despite our recognized national leadership in the field of public education, we have not yet taken all of the steps necessary to ensure that both our teachers and our students will be the best that they can be. Despite our impressive economic performance, there is more that we must do to maintain our strong position in today's competitive economy.

Over the past three years, we have built a sound foundation for New Jersey's future. It is a foundation built on sound management and lean government; it is one which has pulled us through the recession with remarkable resilience; it is one which has thrust us into a position of national leadership in critical areas like education, environmental protection, and job creation.

The challenge before us now is to build on our foundation; to deepen New Jersey's justifiable pride; to fulfill the bright promise that is New Jersey's future.

  
Governor Thomas H. Kean



# JOBS AND THE ECONOMY

**J**ust recently, one of the leading independent economic analysis firms in the country characterized the year 1984 as "the strongest in New Jersey's economic history."

That summation, from Chase Econometrics, is representative of a new body of opinion that is forming around the country — and around the world — about New Jersey. New Jersey is no longer being overlooked; it is being watched. New Jersey's economy is no longer being overshadowed by those of its neighbors; it is being emulated as the most advanced in the region.

The U.S. Department of Labor says that New Jersey has "one of the best employment pictures in the country."

The *Wall Street Journal* reported this past year that "the reality of New Jersey" was "a booming service and high tech economy."

A publication as far away as the *Economist* of London reported that New Jersey is "advancing nimbly into a service economy and high-tech age."

The state's Economic Policy Council concluded that "1984 was a banner year for New Jersey."

Perhaps the situation was best summed up by the *Star-Ledger*, which said that "New Jersey is on an economic roll."

That unanimously encouraging view, coming from a variety of sources, is backed up by a bevy of statistics which supports what you and I know to be true: that New Jersey has been undergoing a period of remarkable economic expansion and strength, and that this has fueled a healthy optimism that is spreading throughout the length and breadth of the state.

In one recent poll, 75 percent of those surveyed said that they thought New Jersey's image had improved in recent years. And in another independent poll, over 65 percent of the respondents rated New Jersey as one of the 10 best states in the nation in which to live.

That optimism is well-founded. By virtually any measure, New Jersey has emerged in the last three years as one of the nation's economic leaders.

Our unemployment rate, now standing at 5.7%, is a full four points lower than it was at the height of the recession. And it is a full one and one-half points lower than the national rate. New Jersey clearly weathered the recent recession with more resilience and emerged from it with more strength than the vast majority of other industrial states.

That stands in sharp contrast to the

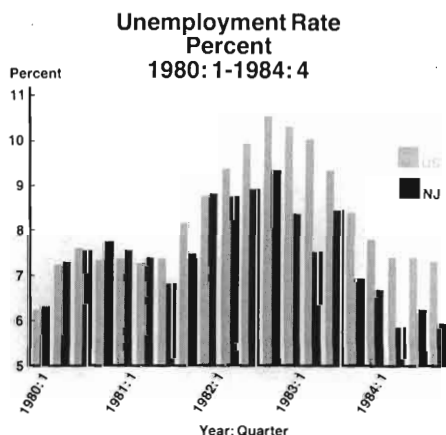


recession of the mid 1970's, when New Jersey lagged behind most other states in a number of economic indicators, and its unemployment rate remained two and one-half points higher than the national average.

Our rate was no better than the rest of the nation's right through the first quarter of 1982 — but since then we have pulled away.

Since 1981, employment growth in New Jersey has exceeded the average growth for the nation as a whole, markedly reversing the state's lagging growth during the 1970's. This past year, total resident employment grew by 6.5%.

More New Jerseyans are working today than at any time in our state's history, with over 120,000 New Jerseyans added to the number of non-farm jobholders in the last year alone.



The number of people now claiming unemployment benefits is at its lowest level in over a decade — and that number is down by over 32% in the last two years alone.

Over 30,000 new corporations — an increase of better than 21% — have been formed in New Jersey in the past two years. 16,000 new businesses opened their doors in 1984.

Clearly, the state is becoming more and more attractive to business — and to jobs. In one major ranking of the states' respective business climates, that was conducted by Alexander Grant and Company, New Jersey has risen almost twenty places in the last few years.

New Jersey now sports the third highest concentration of corporate headquarters offices in the nation.

And this business growth is reflected in the health of New Jersey's construction industry. The growth in construction in the state is the best it has been since the building boom of 1973. Construction contracts rose by over 12% in 1984 — a year in which more than \$2 billion worth of contracts for new non-residential buildings were awarded in the state.

Construction of office buildings, which rose by over 14%, industrial buildings, which rose by 22%, and commercial buildings, which rose by an astounding 54%, were particularly strong categories.

The personal income of New Jerseyans



grew by nine percent last year. And New Jersey's growth in personal income per capita, which had lagged behind that for the entire United States throughout the 1970's, has far outpaced the national average for the past three years.

New Jersey now has the third highest per capita personal income in the country. New Jersey's per capita personal income is \$15,294; the national level is \$12,717.

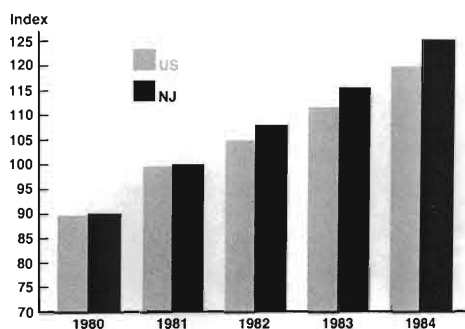
The list goes on and on: retail sales were up 11% after the first three quarters of 1984; new business incorporations were up 10.2%; and new car registrations, an indicator of car sales, were up by 51% — the largest increase on record. The more than one-half million new car registrations last year represented the largest volume of new car registrations in New Jersey history.

The result of all this is obvious: New Jersey is becoming a more attractive place in which to live, work, and raise one's family.

*"New Jersey is becoming a more attractive place in which to live, work, and raise one's family."*

And the statistics bear that out, too. After a decade of decline in population, the trend has been reversed. More people are

**Personal Income Per Capita  
US and New Jersey  
1981 = 100**



now coming to New Jersey than are leaving.

These impressive economic numbers, and the accolades which have followed them, have not arisen by mere coincidence.

They are the product of a concerted effort to attract new business, to tell New Jersey's impressive story to the rest of the country and the world, and to build a better state, so that all those who are willing to listen will not be disappointed.

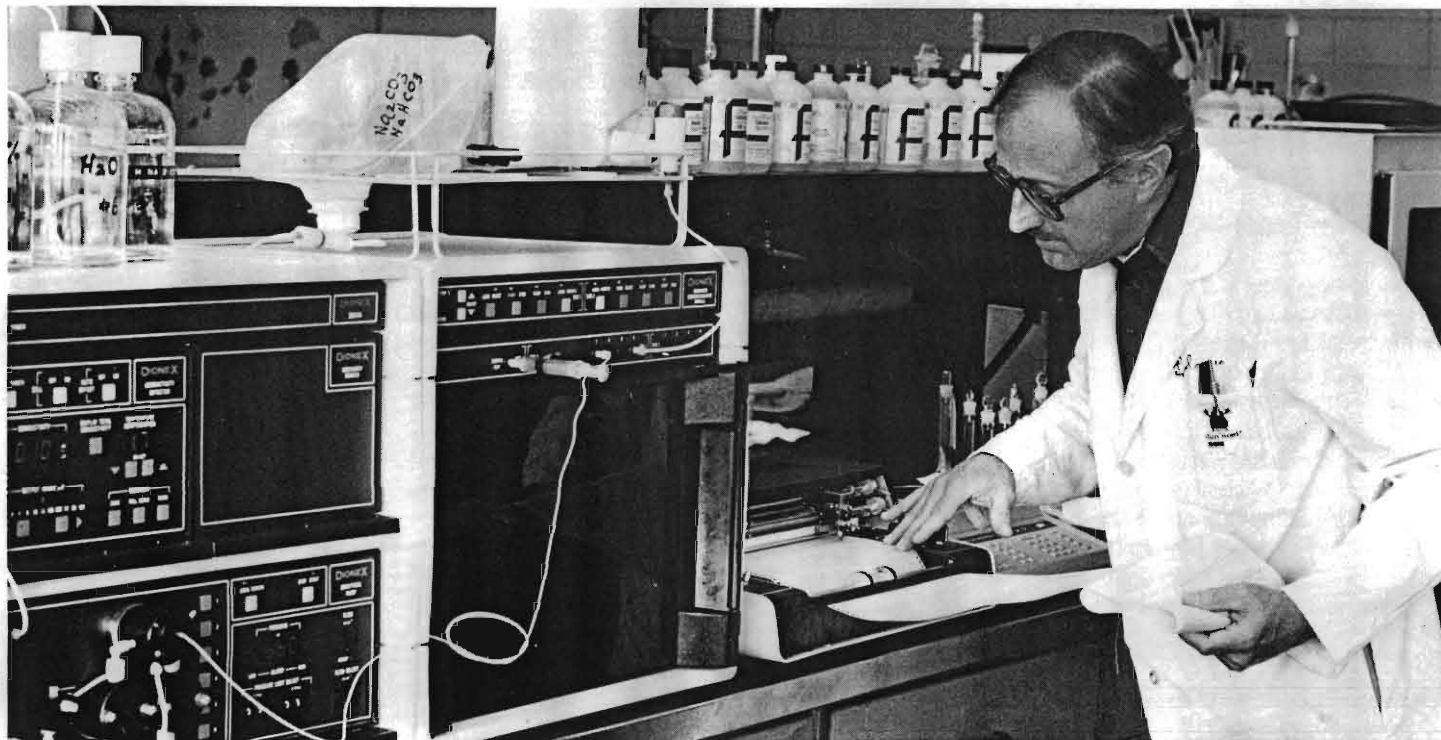
In no year has that effort been more evident than in 1984. 1984 was a year of significant — perhaps unprecedented — legislative accomplishment. We acted to resolve a number of outstanding issues that

have been left unattended for years. We worked together, in a truly bipartisan spirit, to make wise investments in New Jersey's economic future. We accomplished a legislative agenda that will stand as an impressive record for future Legislatures to match.

I want to thank you for helping to build that record. It has not always been an easy process, but it has clearly been worthwhile.

Perhaps the chief legislative accomplishment of the year was the creation of a stable source of funding for needed transportation projects through the establishment of the Transportation Trust Fund. The transportation benefits of this landmark legislation are numerous and obvious; but the Trust Fund will yield substantial economic benefits as well. It will eliminate the uncertainties not only in the completion schedule of transportation improvement projects, but in construction employment as well. It will not only make our roads and mass transit systems safer and more convenient to use; it will help us attract business by modernizing our critical infrastructure as well. It will not only help us complete over \$3 billion worth of needed improvements; it will create tens of thousands of jobs in the process.

The passage of the Jobs, Science, and Technology Bond Issue, which I proposed in this Message last year, could be equally







significant. It demonstrates that New Jersey is determined to capitalize on its increasingly evident advantages in the competition for high technology jobs. And it reflects very clearly the outstanding level of cooperation in this state between business, labor, government, and academia. We have shown that we can, and will, bind together to promote New Jersey's common interest. The level of cooperation makes New Jersey's future that much brighter.

The creation of four academic-industrial centers will firmly establish New Jersey's pre-eminence in major new fields. And it will cement our reputation as a research-oriented, educationally advanced, forward-looking state.

As important as those two major initiatives are, they are by no means the sum total of the considerable progress we have made during this past year.

I have always believed that another key to our economic success was our ability to maintain a tax advantage over our neighboring states. In order to compete effectively, I believe we must keep our tax rates lower than those of our neighbors.

This past year, we took a major step to eliminate one particular tax that was higher. It was driving people — including some of our most productive residents — out of the state. And it was placing an especially heavy burden on small businesses and farmers, two of the backbones of our economy.

I am speaking, of course, about the transfer inheritance tax.

This past year, we reached a compromise on legislation to phase out the major portions of that tax. I commend Assemblyman Doyle and Senator Hagedorn for their leadership on this issue, and I look forward to your final passage of this bill. I urge you to act on it quickly.

Under the legislation, most spouses will be exempt from the tax by next July, and

all spouses will be exempt by July of 1987. And within two years after that, all parents and children will be exempt as well. The drastic reduction of this tax is vital to our continued economic health — and our ability to compete as a low tax state.

That ability will be helped by the phase out of the corporate net worth tax, which will be completed in the fiscal year which begins this summer. The corporate net worth tax was an onerous burden to business — especially small business, the source of so many new jobs in the state. I was happy to sign legislation enacting its phase out, and I am glad that this tax will shortly enter the final year of its existence.

In each of the two previous years that I have come before you to report on the condition of the state, I have asked you to enact major revisions of this state's laws governing unemployment insurance. This past year, following the recommendations of the bipartisan Commission which I appointed, you took such action.

I congratulate you for it.

By reforming our outdated unemployment insurance laws, you helped to eliminate a major disincentive that was facing companies which were considering locating in New Jersey.

Our unemployment insurance system has been restored to fiscal health. The state's outstanding unemployment insurance debt to the federal government, which stood at over \$600 million when I took office, has been sharply reduced.

I would like to announce to you today that we will pay off this debt in its entirety in 1985. This will mean that the extra surtax of over \$100 million that New Jersey businesses have been paying to the federal government each year can finally be eliminated.

Under this legislation, and under the temporary disability benefits legislation which passed with it, we were able to actually

increase the maximum benefit while still restoring the system to sound financial footing.

This was another vital piece of legislation which addressed a problem that has faced the state for years. And it is another key step in increasing New Jersey's competitiveness in the regional — and national — economy.

Last year at this time, I also called your attention to the major unsolved problems facing New Jersey's cities.

Various studies, including those by our own Economic Policy Council, have shown that New Jersey's cities have not in the past shared in the economic gains enjoyed by the state as a whole. Unemployment and crime have been higher, while the quality of education has been lower. I pointed out that if New Jersey's economic recovery was to be complete, we would have to make our cities a fuller partner in it by attacking their problems.

While the state was, and is, making significant efforts to address those problems through grants, loans, tax incentives, and direct public investment, I argued that what was needed was a comprehensive and targeted urban strategy.

I proposed the creation of an Urban Development Corporation in New Jersey to coordinate the application of the various state and federal resources being devoted to our cities, and to develop such a strategy.





Under the leadership of Assemblyman Schwartz, you acted to create such an entity.

The bill to create the Urban Development Corporation will go a step further — it will channel \$30 million in Community Development Bond funds which the voters approved in 1982, but which have not yet been spent, through the Corporation to address the problems facing our cities.

The purpose of those funds is not to replace private investment, but rather to attract more of it. By providing the seed money and the initial strategy to redevelop certain urban areas, the Corporation can act as a catalyst for many more millions of private investment in our cities. By taking the lead in urban redevelopment efforts it can spark the interest of private resources, and encourage them to follow.

I congratulate Assemblyman Schwartz on his sponsorship of this bill. I will be returning it to you shortly with a conditional veto asking you to make some necessary changes — principally to remove some extraneous amendments which were added on the floor of the Senate. When those changes are made, I fully expect to sign this bill into law. I look forward to the beginning of the Corporation's work.

The establishment of the Urban Development Corporation can complement, and enhance, some of the other major initiatives we have undertaken to spur investment in our cities.

The most important of those is the establishment of Urban Enterprise Zones, under the terms of legislation you passed in 1983. New Jersey is one of 24 states to have passed such legislation; it remains incumbent upon the Congress to enact Federal urban enterprise zone legislation. I am surprised and disappointed by their inaction on this issue.

This past year, we designated zones in Newark and Camden. By reducing the tax burden on and providing other financial incentives to businesses which locate in these zones, we can bring the kind of commercial activity back to our most depressed urban areas that has such a positive effect on crime, education, and other key problems facing the cities.

This coming year, we will be designating two additional zones as part of an expansion of the program that should continue for years to come. I believe in the concept of urban enterprise zones. I think it will work. And I am anxious for the results of our pilot efforts.

The creation of the Urban Development Corporation and Urban Enterprise Zones are two pieces of a larger effort to attack systematically the range of problems facing New Jersey cities.

You took action on another critical piece of that effort this past year. In 1982, the voters approved the Community Development Bond Act referendum to provide assistance to local urban development projects. Your recent passage of the bill sponsored by Senator Leanna Brown, to appropriate \$15 million in Bond Act funds to a Local Development Financing Fund which would make direct loans to municipal governments, local development corporations, and other urban project sponsors, will help create jobs in the cities. The groundwork has been laid to implement this program, and the applications are ready to be sent out.

This is just the type of economic stimulus our cities need.

A truly comprehensive strategy requires other steps beyond economic assistance and stimuli. Fighting crime

and improving urban schools are critical elements of any program to bring jobs back to the cities, because high crime rates and poor educational performance have been major factors in causing businesses and residents to leave the cities.

For three years now, I have asked for increases in the Safe and Clean Street program, a program initiated under legislation I sponsored as an Assemblyman, which has put more police officers and firefighters in our urban neighborhoods. This year I will ask you for a further expansion of that program designed specifically to fight crime.

With this continued effort to fight crime in our urban neighborhoods, we can cut back on one of the principal reasons that too many businesses and individuals have left our cities. And we can help pave the way to welcoming them back to a safer city.

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*"There is a definite connection between improving our urban schools and bringing jobs to our cities."*

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In addition, I will ask for your support of the major urban education initiative being launched by our Department of Education. I will outline that initiative in greater detail later in this Message. But I want to make it clear that there is a definite connection between improving our urban schools and bringing jobs to our cities. The link is undeniable; as is the need for this initiative.

By implementing all of these programs, we can bring about the renaissance of our large urban centers. I will continue paying close attention to their progress, their own initiatives, and proposals for further urban development.

A city which has struggled with a special set of problems in recent years is Atlantic City. Last year again, I appealed to you to help focus on those problems by amending the casino reinvestment law which was originally designed to provide needed investment in poverty-stricken areas of that city.

Last month, I was especially happy to sign legislation which will provide over \$700 million of investment to attack the problems of Atlantic City. Over the next 25 years, the new law will also provide over \$500 million







for development projects in South Jersey, and \$375 million for development in other parts of the state.

In the next three years, 100% of the money generated by passage of this new law will be applied where it is most needed: to the critical low- and middle-income housing needs of Atlantic City itself. In subsequent years, 50% of Atlantic City's allocation will be applied to this purpose. Housing is the most dramatic problem facing the poor neighborhoods of Atlantic City. This bill, at long last, holds out some hope for improvement in addressing that problem.

I was also particularly pleased by the provision in the bill which establishes a special set aside for small, minority, and women-owned businesses. This parallels a major effort we are making at the state level to encourage the development of these businesses by providing them with access to capital and contracts that are generated by government-sponsored efforts. I hope it will help spur the development of a healthy small business community in Atlantic City; the statewide small business community continues to get healthier all the time.

The establishment of the Casino Reinvestment Development Authority under this legislation is a major step toward meeting the goal I enunciated last year: to fulfill the promise of casino gambling as "a unique tool of urban development for Atlantic City."

I am especially grateful to Assemblyman Fortunato, Senator Gormley,

and all those who worked so hard to fashion the compromise that resulted in the enactment of this bill.

Another legislative highlight of your last session was the swift enactment of legislation which would change the operating jurisdiction of the New Jersey Sports and Exposition Authority, and clear the way for the development of major league baseball in New Jersey.

The Sports Authority has been uniquely successful in its eleven years of operation. It has presided over the emergence of the Meadowlands complex as the nation's premier sports facility. It has established an outstanding track record that gives all of us encouragement about its ability to create the proper environment and develop an excellent facility for major league baseball in this state.



The bill you passed puts the Sports Authority in a position to do that, should there be any interest from a professional baseball franchise in coming to New Jersey. It allows the Authority to construct, operate, or manage not only a baseball stadium but an aquarium, another racetrack, and a convention center or hotel complex on its current site as well.

By expanding the Authority's jurisdiction in this way, we have provided it with the tools necessary to respond to any major league baseball opportunity. And we have further established New Jersey as a growing center of professional sports activity.

The bipartisan leadership of both houses performed exceptionally well in steering this legislation to passage in such a short time. I appreciate your efforts, and I applaud your enthusiasm for continued professional sports development in New Jersey.

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*"...we have further established New Jersey as a growing center of professional sports activity."*

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Another major engine for economic development in New Jersey is the Port Authority of New York and New Jersey.

In the summer of 1983, Governor Cuomo and I announced a sweeping agreement on the restructuring of the operations of the Port Authority designed to maximize the force of that engine.

I am happy to report that, during the past year, we began to implement many of the elements of that agreement.

With your cooperation, and that of your colleagues in Albany, Governor Cuomo and I were finally able to sign legislation clearing the way for Port Authority involvement in major waterfront development projects in Hoboken and in Queens.

The Port Authority will invest \$125 million in the Hoboken project, which is designed to attract an additional \$500 million in private investment.

The Port Authority recently announced more detailed plans for the Hoboken project. They include the construction of over 1.4 million square feet of office space in three separate office towers, the construction of a 400-room hotel, an 800-slip marina, and



1,500 units of mid- and high-rise housing. In all, the proposed development will cover 130 acres along the waterfront. The Port Authority will construct new bulkheads, install sewer lines, and make other infrastructure improvements. Demolition to clear the way for this long-awaited project is slated to begin this month.

Progress was also made this past year on the construction of a \$40 million legal center by the Port Authority in downtown Newark. This 300,000-square-foot office building should serve as a centerpiece of \$160 million development near Newark's Penn Station. It can be a major piece of the downtown resurgence of Newark. This past year, Newark was awarded a \$9 million Urban Development Action Grant to assist in the development of the project. We expect to begin construction of the project this year.

Newark will also benefit from the terms of a new lease for Newark Airport, first agreed to by Governor Cuomo and me as part of the Port Authority's restructuring, which was signed by the City of Newark and the Port Authority this year.

Newark International Airport is the fastest growing airport in the country — a further indication of New Jersey's economic surge — but until now, its increasing value has not been recognized in its lease arrangements with the Port Authority. Last year, the number of passengers using the airport increased by 40% over 1983. And that growth is continuing.



Under the new lease, Newark will receive a \$9 million minimum payment this year. That payment will increase by annual increments of \$1.5 million to a level of \$18 million in 1991. Under the old lease agreement, Newark was only receiving the \$1 million minimum payment annually. These



funds can now be put to work in providing essential services to the people of the City of Newark. The lease agreement would be open to re-negotiation if the value of the airport increases more than expected.

The City of Elizabeth also signed a new agreement with the Port Authority concerning Newark Airport this past year. Its payments will increase from \$63,000 this year to \$1,000,000 in 1987 and for 44 years thereafter.

These funds can go to work creating jobs, restoring local roads and bridges, and increasing public safety protection in the city.

Despite that record of significant accomplishment in implementing my historic agreement with Governor Cuomo, there are several pieces of outstanding business with respect to the agreement that would allow it to reach its full potential in creating jobs for the region.

Specifically, the agreement called for the creation of a Bank for Regional Development to serve as the key vehicle for job producing investments throughout the Port District. It was envisioned that the Bank, which would be capitalized by funds generated from increased rents paid by private tenants in the World Trade Center as New York State moves out of the office space it has been occupying in the Center and other Port Authority revenues, could make a wide range of infrastructure investments needed to pave the way for further public and private investment in such important areas as the Hudson River waterfront. Under current law,

the Port Authority is authorized to make such investments, but only on or adjacent to its present facilities. In fact, the Port Authority is already earmarking \$50 million per year — \$25 million for each state — for projects which can be carried out under its current authorizing legislation.

Creation of the Bank would give us greater leeway in investing Port Authority-generated revenues in critical infrastructure projects that we in the state identify. And it would enable us to use the Port Authority's substantial capital resources with greater effectiveness in creating jobs in the region.

Senator Cowan and Senator Gagliano have introduced legislation providing for the creation of such a Bank. In the months ahead, I urge you to give this legislation your serious consideration, so that we can make this part of the bi-state agreement an operating reality.

As the initiation of the Hoboken project and the need for the Bank underscore, our plans to develop the Hudson waterfront are proceeding rapidly. I announced to you in last year's Message that I would set up a Governor's Waterfront Development Office. That office has been established, and, in conjunction with the Governor's Waterfront Development Committee, has been coordinating the efforts of various departments of state government to stimulate and prepare for development projects. The office is also providing services and information to developers and potential investors along the waterfront.



*"...our plans to develop the Hudson waterfront are proceeding rapidly."*

In addition to the Hoboken project, a number of other major waterfront projects have moved forward in 1984. Tenants began moving into the Harborside project in Jersey City, which will eventually be the site of 2.5 million square feet of office space. Jersey City received the largest single Federal Urban Development Action Grant (UDAG) in history — \$40 million — for the development of the Newport City project. Demolition and site clearance began on that project, and construction is scheduled to begin this year. Hartz Mountain Industries began construction on part of its major development in Weehawken. Hartz is planning to construct 1.5 million square feet of office space. Construction began on 700 units of housing in the Rock Harbor project in North Bergen. And ARCORP began site clearance for its major development in West New York and Weehawken. The state has been working with the developers of these and other waterfront projects to plan for improved transportation services, upgraded infrastructure, and actions needed to ensure that we continue to make progress in rebuilding the waterfront.

To help call attention to that progress — and to the great potential of the entire waterfront area — I announced last week that I intend to host the first annual New Jersey Waterfront Marathon this May. The marathon will not only bring top athletes to New Jersey, it will bring the spotlight of national attention to the valuable real estate they will be running over. Moreover, running this major marathon in New Jersey will help underscore that state's growing reputation as the sports capital of the nation.

One of the keys not only to waterfront development, but also to providing convenient transportation to commuters, is to improve the transportation links between New Jersey and New York City. That is why an important stipulation of my agreement with Governor Cuomo was that the Port Authority undertake a major program to upgrade the safety and service provided by the PATH system, to improve various PATH stations, and to rehabilitate the major bridge and tunnel crossings of the Hudson.

Last year, I asked the Port Authority to begin a study of various ways to relieve the

pressure at those crossings, and to increase the capacity to provide New Yorkers access to New Jersey and New Jerseyans access to New York. Specifically, I asked the Port Authority to determine the feasibility of re-instituting ferry service across the Hudson as a relatively inexpensive means of achieving these goals. The Port Authority is scheduled to report its findings early this year. In my view, the re-institution of ferries across the Hudson would be a workable and affordable means of providing a vitally needed service. I am looking forward to the Port Authority's report, and to a year of progress on this issue.

The Port Authority can also play a helpful role in encouraging export trade by New Jersey firms if you cooperate in giving it the opportunity to do so. Assemblyman Hardwick has introduced legislation which would authorize the Port Authority to participate in the formation of export trading

The concept of export trading companies has already been advanced by legislation at the federal level, and it is working. In fact, New Jersey is the home to the first multi-bank export trading company in the country, BITCO, whose creation was overseen by our Department of Banking. This past year, BITCO financed the first shipment of grain out of the newly opened Salem Port. The Port, the development of which was financed partly by a loan from the federal Economic Development Authority, will not only create jobs in the immediate Salem area, it will help farmers throughout South Jersey by providing them with a more convenient port through which to ship their products.

In the coming year, our Department of Commerce and Economic Development and our Department of Community Affairs will join together in another export-promotion effort. They will sponsor a conference specifically geared to encouraging and



companies, in which small businesses band together to promote sales of their products overseas. Many smaller New Jersey firms produce goods and services for which a market exists in other countries, but they often lack the resources to properly market and deliver them. By one estimate, over 900 New Jersey companies could benefit from the passage of this legislation.

The Port Authority has experience and expertise in promoting the sale of American products overseas. Under this legislation, it could put them to work while creating jobs for New Jersey. I urge you to act on Assemblyman Hardwick's bill this year.

assisting the entrance of Hispanic-owned businesses into the export trade.

That conference is just one small piece of a continuing successful effort by this Administration to advance the growth of minority-owned and women-owned businesses of all kinds. As you know, I have appointed an Interagency Procurement Committee charged with making sure that these firms get their share of contracts and opportunities from state programs. In addition, I signed legislation which provides for a 15% set aside of state contracts for small businesses. This past year, New Jersey held its second annual conference for



women business owners, and 1984 marked the second year of operation of the Office of Minority Business Enterprise, the Governor's Advisory Council on Minority Business Development, and the Corporation for Business Assistance, which provides low interest loans to job-creating small businesses.

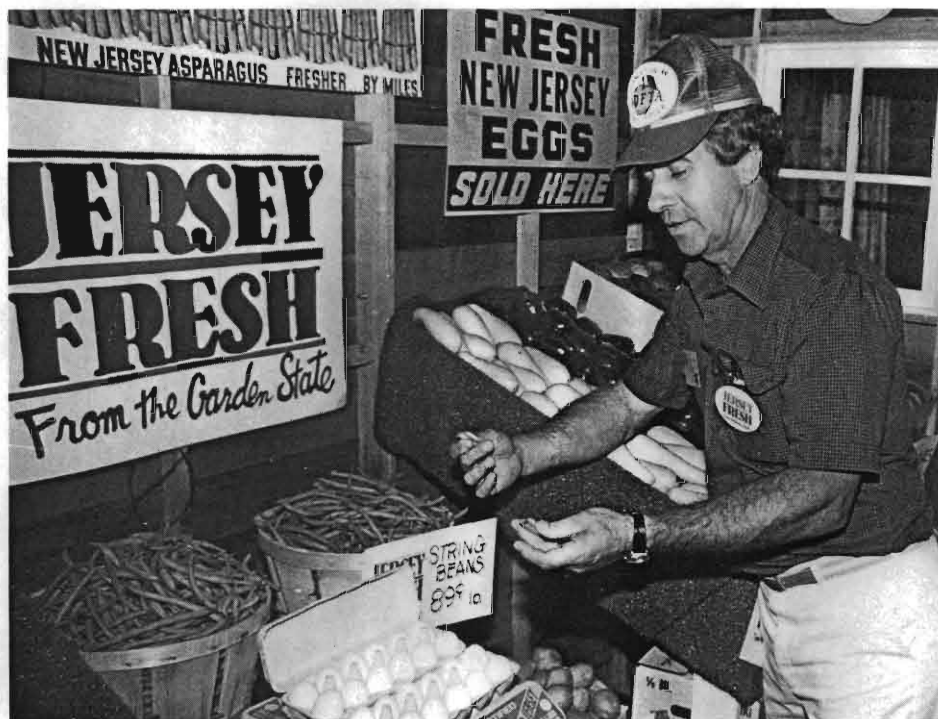
Small, minority-owned, and women-owned businesses enjoyed a healthy growth in New Jersey in 1984, and I intend to work to make sure that this growth continues in 1985.

Thanks in large part to the efforts of our Division of International Trade, foreign investment in New Jersey continued to grow strongly in 1984 as well. Firms from 48 different nations now have operations in New Jersey. They employ over 150,000 New Jerseyans. As a result, New Jersey is now ranked fourth nationally in terms of employment by foreign businesses. In the year ahead, we plan to continue this Administration's aggressive effort to promote New Jersey overseas by participating in trade shows, meeting with representatives of foreign firms, and working to stimulate investment in the state and purchase of New Jersey products.

Our domestic efforts to promote and develop New Jersey are succeeding as well. In 1984, our state Economic Development Authority provided almost one billion dollars in financing for jobs-creating projects — and helped create 16,000 permanent jobs and 16,000 construction jobs. In its eleven years of operation, the EDA has helped finance \$6.5 billion in investment in over 3,000 projects in New Jersey.

Since taking office, I have tripled the budget of the Division of Travel and Tourism so that we could better compete with our neighbors in the effort to lure vacationers to New Jersey. That effort has paid off. Independent survey research has shown a dramatic increase in awareness of New Jersey as a place to vacation. Two years ago we trailed both New York and Pennsylvania as a preferred vacation spot. Among those surveyed, we ranked ahead of both of our neighbors in a recent survey. Awareness of the state's slogan, "New Jersey and You: Perfect Together", has climbed sharply as well. The result is more jobs for New Jersey: in 1984, a record number of visitors were drawn to New Jersey during the tourist season.

Awareness of New Jersey as a site for motion picture and television production is



also increasing. This past year, more than \$15 million in revenues were brought into the state from production expenses from motion pictures and television. The number of film, videos, and television shows recorded in New Jersey grew by over 15% in 1984. Our Motion Picture and Television Commission has done an excellent job in attracting these productions, and I am convinced that, with their fine work, the attraction will continue to grow in the year ahead.



Our success in marketing New Jersey in the past led us to expand our efforts into a new area this past year. This spring, we launched the state's first comprehensive advertising campaign for New Jersey farm products. Survey research has shown that 61% of all consumers in New Jersey, New York City, and Philadelphia prefer New Jersey farm products because they believe them to be fresher. The "Jersey Fresh" campaign we undertook this past year was intended to capitalize on that belief and identify New Jersey farm products in the stores. Preliminary indications are that the

campaign was quite successful.

When I present my proposed budget for fiscal year 1986 to you later this month, I plan to ask for your support in expanding this program next year. It will help both New Jersey farmers and the state's overall image.

Based on the success of the "Jersey Fresh" campaign, I will also ask for your support for a program to extend our marketing of New Jersey products into a new area: promotion of New Jersey's fish and seafood products. This will help us increase both awareness of and demand for New Jersey-landed fish products.

In my view, New Jersey's fish and seafood industry has not been developed to its full potential. As you know, the Port Authority has committed to a multi-year program of fisheries development in New Jersey. This new marketing program will complement the Port Authority's long term program while providing an immediate boost to New Jersey's fishing and shell-fishing industries.

The successful promotion of New Jersey in the fields of business attraction, tourism, international trade, motion picture and television production, and agricultural and seafood products can help us retain and improve our economic good health. They are a central part of the change in the overall image of New Jersey — and the new and vibrant image we are developing will serve us well in the future.

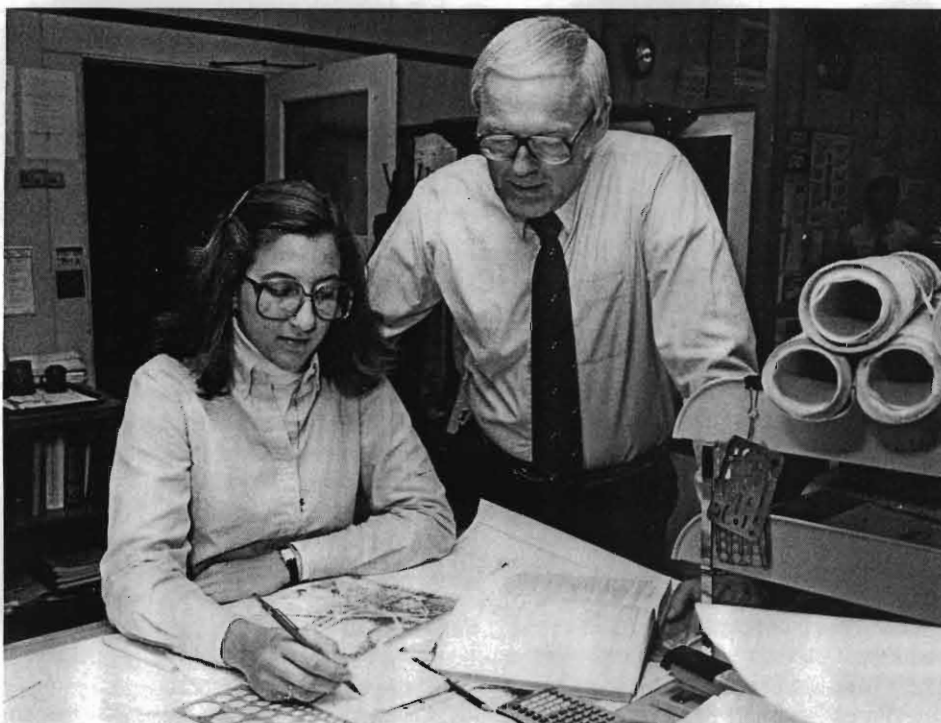


New Jersey continues to have an exceptionally strong image in the financial community. We are the only state in the Northeast — and one of only eight in the entire country — which enjoys a Triple-A bond rating from both major rating agencies. We must work together to ensure that we retain this rating, which saves our taxpayers millions of dollars over the life of the state's bonds. This rating should be reinforced by the fact that this year we are issuing only \$125 million in new debt, while paying back \$116 million in old debt. When I present my budget to you later this month, I expect that it will require the smallest increase for debt service in several years.

Commission. I commend Senator Feldman for his hard work and his willingness to compromise in developing the legislation which established this very important Commission.

Creation of this Commission is the first step toward achieving meaningful tax and spending reform in the state. Without it, we are doomed to return to the old days of fiscal crisis.

With the employment boost and increased business attraction provided by the Transportation Trust Fund, the expanded ability to compete for jobs in emerging technological fields generated by the Jobs, Science and Technology Bond issue, the



Another factor in that rating is the state's overall fiscal picture. While that picture has been exceptionally bright in the past year, in the long term, it could dim considerably. In addition to the projected dampening of the economy, the state continues to face a situation in which the growth in a number of spending areas is outpacing the growth in revenues. Moreover, the growth in New Jersey's local property taxes is unacceptably high. It must be curbed.

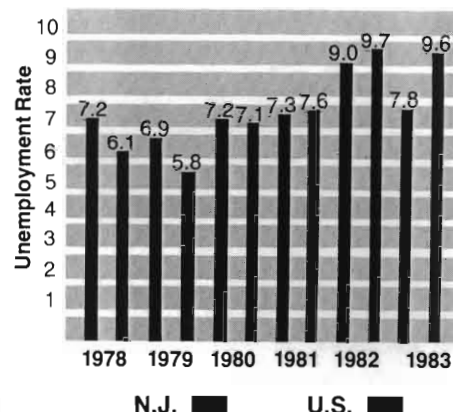
That is why one of the most important accomplishments of the past year in terms of its effect on the economic future of the state was our agreement on the creation of a State and Local Expenditure and Revenue Policy

continued commitment to a better business climate signified by the planned repeal of the inheritance tax and the reform of our unemployment insurance system, and the stimulus to urban development provided by the Urban Development Corporation and the Urban Enterprise Zone initiatives, New Jersey has prepared itself well to cope with any downturn in the economy.

Essentially, we have taken out an insurance policy for the future — a policy which will guarantee continued economic strength and enhanced competitiveness for the state.

But we cannot undercut the value of that insurance policy with unwise or short-sighted fiscal policy. Our current

Comparative U.S. & N.J.  
1978-1983



Source: N.J. Department of Labor

budget picture is the result of good economic times, but is by no means a guarantor of future good fortune.

*"It is cautious, growth-oriented policies, and prudent management of the state's resources which provide the best guarantee that — good times or bad — New Jersey will be in a position to capitalize on its many advantages, and will remain as one of the nation's economic leaders."*

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# ENVIRONMENT

**A**t various times in a nation's or state's history, certain issues take on a singular importance.

Their resolution can help determine the state's future course. The way they are handled can have a critical effect on a state's quality of life. They become inextricably linked to a state's fate.

Today, the protection of New Jersey's environment is just such an issue. Our success in coming to grips with it is invariably intertwined with the future of our state.

It demands our immediate attention, our sustained interest, our continued commitment.

Environmental problems are uniquely challenging public issues. By their very nature, they are emotional — because they very directly affect people's lives. In our modern society, with its extraordinary range of products and manufacturing processes, they have become quite complex. They require a thorough understanding of science and nature, and they generally require for their solution the continuation of a commitment that far exceeds the political lifetime of most public servants.

But most importantly, if left alone, they get worse. Their consequences become more tragic. Their solutions become far more expensive.

Today, we face a unique opportunity in New Jersey. We represent a public that is vastly more sophisticated about environmental problems than were earlier generations. We represent a public that has begun to recognize the great cost of addressing environmental problems correctly — and the greater cost of addressing them incorrectly or not at all.



We represent a public that overwhelmingly supports taking the necessary steps to protect the environment it lives in. We represent a public that cares.

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*"1985 is — and must be — the year of the environment in New Jersey."*

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We are presented with a tremendous and timely opportunity. We must seize it.

1985 is — and must be — the year of the environment in New Jersey.

We in New Jersey have made tremendous progress in attacking environmental problems — certainly more than any other state. Our Department of Environmental Protection, under the leadership of Commissioner Hughey, is nationally recognized as one of the most innovative and aggressive departments in the country. It has not shied away from addressing questions that other states are years away from confronting. And it has devised new and thoughtful approaches to difficult problems that have served as models for other states.

I find this progress especially encouraging, because protecting the environment is something which I personally believe very deeply in — in fact, it is something which I have spent my entire public career fighting for. As a member of this Assembly, I sponsored the legislation which created the Department of Environmental Protection, and which established the Green Acres program that

has allowed us to preserve so much of New Jersey's open space. In the past three years, with your cooperation, we have continued that fight: signing the nation's most forward-looking right to know law, winning enactment of a Green Trust bond issue that will finance that open space preservation, and helping New Jersey to lead the nation in cleaning up toxic wastes.

But, even with that litany of accomplishments behind us, we have touched only the tip of the iceberg. Despite our considerable efforts to date, we face an array of significant environmental problems that we have barely begun to address — intimidating in their range and complexity, daunting in their size and scope, and unyielding in their claim to our immediate attention.

I call upon you to join me in a comprehensive assault on them — today.

Last year at this time, I stood before you and asked for your immediate attention to the solid waste crisis in this state.

Garbage, I said, was at the point of crisis in this state — a crisis that had been building for ten years.

I pointed out the potential effects of a decade of inaction on the question of garbage, and I asked for your support of a legislative package designed to respond to that crisis by stimulating the development of resource recovery facilities.

In the year that has ensued, the question of garbage has come into sharper focus than ever before.

The crisis has come home.

This past year, the crisis has reached into counties and communities all over the state.



We as a state have begun to learn, as our neighbors in New York City and Philadelphia are learning, that garbage does not just go away.

It must be put somewhere. And it must be put somewhere safe.

My administration is committed to making sure that the solution to the garbage crisis in this state is safe. We are committed to ending the days when landfills went unchecked — only to become toxic waste sites later on. We are committed to addressing the problem of garbage responsibly — even if it is not easy.

In fact, we do not have, nor should we have, the power to step in and unilaterally declare the sites of landfills, overriding every local concern. And we cannot in conscience leave landfills open even when they become full and avoid the unpleasant — and costly — task of making them safer.

The law provides a solution; we must follow it.

This Administration, unlike its predecessors, has pursued a conscious strategy of enforcing the provisions of the Solid Waste Management Act of 1976. The process has not been painless; but it has been necessary.

That law provides that each county shall be responsible for coming up with a plan to handle its own solid waste. That law underlines an unpleasant reality about garbage: that we cannot simply send it somewhere else. It puts each county in charge of its own fate.

And it charges the state with enforcing the law to make sure that each county's plans are safe.

In reality, each municipality in the state cannot solve its garbage problem by itself. Each county in the state cannot solve its

garbage problem by itself. And the state cannot solve its garbage problem by itself. The problem of solid waste — or garbage — in New Jersey requires a partnership: a partnership between local, county, and state governments.

There is no getting around a central fact about solid waste: it is going to be increasingly expensive to dispose of garbage in the future — in New Jersey, and in every other state in the union as well. For years, political leaders at every level have sought to avoid this fundamental truth. If the past year has taught us anything, it is that this truth is unavoidable.

An environmentally sound strategy for dealing with garbage over the longer term entails making necessary improvements that will cost money. State government, county and local governments, and individual consumers must be prepared to bear this cost.

Effective enforcement of the law implies a willingness to do so. It means that counties will have to make sometimes difficult siting decisions. And it means that, once again, New Jersey will have to carve out a leadership role in grappling with a cutting and difficult environmental issue.

Effective enforcement of the law is the only responsible course. It will end our dependence on overburdened landfills that could turn into environmental nightmares at any time. It will allow us to close those landfills that pose the greatest danger to the public.

In the early 1970s, there were almost 400 landfills in this state. Many of them were not safe — and they have been closed. Others have filled up. They have been closed, too.

In the last three years alone, my Administration has closed down almost 100

dumps. That was necessary to protect the public, and to keep our water supply clean.

But as our landfill space has filled up, as landfills have been closed down, that has exacerbated the crisis we face. Without

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*“There is no getting around a central fact about solid waste: it is going to be increasingly expensive to dispose of garbage in the future — in New Jersey, and in every other state in the union as well.”*

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responsible planning for new sites, for resource recovery, and for recycling, we will rapidly run out of room. In the past year, 95 percent of New Jersey's garbage was dumped at 13 sites — six of which had reached capacity. That situation must end.

It can only end if we have the courage to face the crisis — and to enforce the law.

By effectively enforcing the law, we will have the not incidental benefit of cutting back the flow of waste into the state from our neighbors — because it will strengthen various legal efforts to limit out-of-state trash from being dumped in New Jersey.

In the past, the interstate commerce clause of the Constitution has worked against New Jersey. Out-of-state dumpers used our landfills because it was inexpensive to do so, and because New Jersey counties lacked the firm agreements on trash dumped within the state to properly manage our limited landfill space. Our landfills were not only dangerously prone to environmental mishaps, they were wide open to out-of-state trash.

Our efforts over the past two years will not only provide better environmental protection for our citizens, they will help to minimize the amount of out-of-state trash that we are forced to accept. The recent court decision which prevented the City of Philadelphia from dumping its garbage in Kinsley Landfill in Gloucester County demonstrates that fact. When a similar case was filed in 1976, it was lost. The result was different in 1984. Now, for the first time, the





protection afforded by the interstate commerce clause works to our advantage, and more solid waste is now flowing out of the state than is flowing into it. In fact, at the current time, we as a state are "exporting" almost four times as much solid waste as we are "importing."

In the longer term, the best answer to the solid waste question is resource recovery.

In 1984, we approved the first permit for a commercial resource recovery facility in New Jersey — a proposed waste to energy plant in Atlantic County. I commend Atlantic County for its leadership.

Several other counties have also taken responsible steps to move in this direction. Essex and Bergen Counties have made plans for the construction of major plants to turn garbage into energy. Warren County has taken steps to site such a facility. Cape May County, it is also worth noting, has constructed a state-of-the-art landfill which can be a model for other counties.

You recognized the importance of resource recovery last month in passing the first part of the legislative package I outlined last year — a bill which will usher in the development of resource recovery facilities. The bill will provide, through increased disposal charges, a pool of capital for each county to invest in resource recovery facilities, to use to hold down the increases in rates which will have to be paid to resource recovery facilities, and to finance the construction of landfills for those types of solid waste which are not processable.

The bill will also help counties in the planning, siting and operation of facilities which they will need to fulfill the provisions of the Solid Waste Management Act. And, finally, the bill will create a heavy disincentive

for those counties that continue to dump their waste outside their own borders.

I want to thank Assemblyman McEnroe and Senator Gormley for their sponsorship of this vital legislation.

This last provision — the imposition of a Solid Waste Importation Tax — is particularly important. Some counties have chosen to fulfill their responsibilities under the law. They should be rewarded. Other counties have consistently sought to avoid such responsibility, hoping that the problems would go away. They should be forced to pay for exporting their problem. The penalties contained in the new law — a one dollar per ton tax on the disposal of solid waste out of district, rising to four dollars per ton within three years, and increasing by two dollars per ton annually after that — will serve as an incentive for counties to address their own problems, and as a protection for those counties that have been unfairly forced to accept garbage from other areas in the past. If anything, these penalties are not heavy enough.

Commendable as it is, this new resource recovery privatization law is only one piece of the puzzle. A comprehensive solid waste strategy includes a number of other steps.

A critical step must be to recycle a much greater share of New Jersey's municipal waste stream. New Jersey's citizens should be commended for the dramatic increase in the amount of materials recycled in recent years. 64% of New Jersey's cities and towns now have voluntary recycling programs, up from 30% in 1980 and only 9% in 1970. I am sure that your passage of the voluntary New Jersey Recycling Act contributed greatly to this

jump. Last year, New Jerseyans recycled about 500,000 tons — or almost 10% — of the refuse they generated. But if we are to address our solid waste crisis successfully, I believe we must do more.

My goal is to recycle fully 25 percent of this waste stream by the end of next year. To meet that goal, we will need a mandatory recycling law. That law would not replace the excellent municipal programs now going on, it would enhance them. In fact, one key to improving their success is to guarantee a steady supply of recycled materials to the end-users who buy them. A mandatory recycling bill would do just that.

Assemblyman Albohn and the leaders of your key environmental committees have been meeting with representatives of municipalities, affected industries, and other interested parties in an effort to draft legislation on this issue. Later this month, the Mandatory Recycling Advisory Council will come forward with their recommendations. I commend them for taking a leadership role on this issue, and I look forward to the product of their work.

I plan to sign a mandatory recycling bill this year — and I eagerly await your action on this. I urge you to make it one of your priorities in the coming session.

Perhaps the most difficult part of the transition to resource recovery will be financing the construction of resource recovery facilities.

As you know, I strongly support legislation — such as that sponsored by Senator Gormley — which would establish an Environmental Trust which could manage the financing not only of resource recovery facilities, but of other needed environmental facilities as well.





The concept of the Trust is to make maximum use of whatever capital is available for such projects, to plan their construction efficiently, and, in the process, to ensure that more of them are actually built.

Beyond that, the ultimate goal of the Trust is to hold down New Jersey's already high local property taxes. As counties and communities set about to construct waste to energy plants, environmentally secure landfills, and the plants necessary to treat sewage adequately, there will be great cost involved. Creation of the Trust will help to cut the share of the cost that must be picked up by local property taxpayers. The state should, and will, provide some capital for these projects; the Trust will make sure that whatever is provided is put to the best possible use.

In the case of resource recovery, \$50 million from the 1981 Natural Resources Bond Issue would be used to capitalize the Trust under the Legislation. Assemblyman McEnroe has introduced legislation to appropriate monies from the Bond Issue. I urge you to pass it this year.

Beyond that, I am prepared to recommend today that we commit an additional \$100 million to fund the construction of resource recovery facilities through the Environmental Trust.

The usefulness of the Trust concept is not confined to the area of resource recovery. I firmly believe that creation of the Environmental Infrastructure Trust is the best way to help finance the construction of sanitary sewer treatment facilities around the state that are needed to meet the requirements of the Federal Clean Water Act.

In order to curb the water pollution caused by untreated and inadequately treated sewage, the Federal government is requiring thousands of municipalities across the country — and hundreds here in New Jersey — to build projects to treat their sewage by 1988. If clean water requirements are not met, the Federal government is threatening to restrict development in offending municipalities. That means that in the absence of adequate sewage treatment, some towns could face building bans.

The Federal government has reneged on its support for such projects. At current authorization levels, the most we can expect to receive from the Federal government is \$100 million per year, and even that amount is a likely target of deficit reduction efforts at the Federal level. Meanwhile, the total cost of

needed projects in the state exceeds \$3.3 billion.

Even with \$100 million from the Federal government this year, we have been able to fund partially only four of the more than 240 projects needed to meet Clean Water Act mandates. At most, we can only hope to finance a dozen projects in the years ahead.

The current alternative for those municipalities that will not receive Federal grants — and the overwhelming majority will not — is 100 percent local financing by 1988 through increased user fees or higher property taxes.

That alternative is unacceptable.



New Jersey property taxpayers are suffering enough. To ask them to pay a higher than necessary price for meeting these environmental responsibilities, when an alternative is available, would be asking too much.

Establishment of the Environmental Trust will allow us to provide low or no-interest loans to municipalities for the construction of sewage treatment facilities. These loans can help mitigate the high user fee costs that would be required to construct these plants with no assistance.

At the same time, this is not a panacea that will magically pay for all the needed sewage treatment projects in the state. It is no windfall for the municipalities; it merely softens the impact of some very costly Federal requirements. And it helps cities and towns plan to meet those requirements.

The loans made by the Trust will have to be paid back. As Speaker Karcher said when testifying in support of this concept almost two years ago. This is "not a free lunch; if anything it may be a cheaper lunch."

Because the loans will be repaid, they will allow us to provide financing to far more projects than can ever hope to be funded under the current federal grant program, which is itself in danger. With the establishment of the Trust, we could begin work on all of the required projects within the next 10 years.

Even with continued federal wastewater assistance, there is a tremendous need for additional capital to help finance projects needed to meet our clean water goals. I would like to call upon you today, therefore, to act with me to provide another \$100 million in needed capital to the Environmental Trust to do the job.

Creation of the Trust is, however, only a part of the overall strategy we must adopt if we are to complete these projects. Last year, I asked you to pass legislation which would authorize the participation of private firms in the construction of wastewater treatment plants.

Your recent action on this legislation indicates that you recognize the value of this approach. Under the bill, private firms, under contracts to municipalities, may build and operate wastewater plants. Under this approach, everyone benefits: the firm because it receives tax breaks, and the municipality because it can construct and operate a facility at lower cost by contracting it out.

I commend Senator Dalton for this leadership on this issue, and for his sponsorship of this landmark legislation. New Jersey would be the first state in the nation to enact this kind of novel privatization approach. I am confident that other states will follow our lead.

In perhaps no other environmental



area is New Jersey's national leadership so evident — and of such great consequence to the future of the state — as in the field of hazardous waste. New Jersey is the acknowledged leader in discovering and cleaning up toxic waste sites.

Almost two years ago, I announced a four-year Management Plan for the Cleanup of Hazardous Waste Sites in New Jersey. The plan has served as a model for other states in addressing this critical national issue. I am proud to report to you today that we have been able to meet or exceed the cleanup schedule I set forth in announcing that plan.

New Jersey has continued during the past year to lead the country in the competition for federal Superfund dollars. In fiscal year 1984, New Jersey was successful

National Priority List — more than any other state in the nation.

Last year when I came before you, we had signed 21 agreements with the EPA for the cleanup of 19 sites on the National Priority List. As of today, we have entered into a total of 37 cooperative agreements or contracts with the EPA for the cleanup of 36 different sites.

This, however, does not fully represent the cleanup efforts currently under way. To meet our schedule, the state is also using funding from both the state Spill Fund and from responsible parties to clean up hazardous waste sites.

In 1984, we used the Spill Fund to pay for two immediate major cleanups: Syncon Resins in Kearny, where almost 13,000 drums were removed, was cleaned up this past summer, and the highly dangerous Signo Trading warehouse in Newark, where cleanup was begun last month.

In addition, in keeping with the Management Plan, we used the Spill Fund to pay for our aggressive program of cleaning up our state's small drum dump sites. This past year, 66 small drum dump sites were cleaned up, bringing the total number of such sites cleaned up since 1980 over 130.

The cleanup funds available from responsible parties have resulted from the aggressive efforts of our Department of Environmental Protection to require those parties, when they can be identified, to clean up sites. In fiscal year 1984, these enforcement efforts resulted in cleanup actions at 22 major sites around the state, with an expenditure of \$12.3 million in private funds committed to toxic waste cleanup. I have directed the Department and the Attorney General's Office to redouble these efforts in 1985.

In all, using monies from Superfund, the Spill Fund, and from responsible parties, we spent over \$48 million to undertake various stages of cleanup work at 58 different sites in fiscal year 1984 alone.

That brings the total number of sites on which we have performed work since 1980 to 112. That overall effort includes 84 feasibility studies, 40 designs, 63 immediate removals, and 17 construction projects either in progress or complete as of the end of the last fiscal year.

In the current fiscal year, we are working to sharply increase that hazardous waste cleanup effort.

Under our current schedule, by the

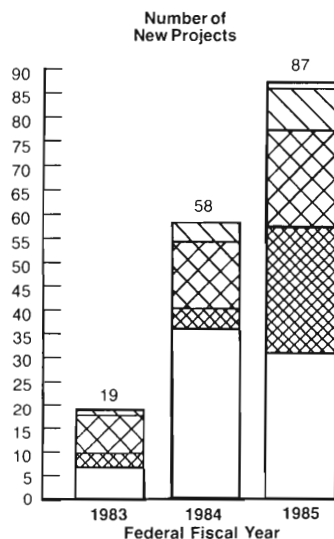
end of this year, we will have initiated action on over two-thirds of our Superfund sites. No other state can come close to claiming such a record.

In fact, we expect that the monies obligated in 1985 will exceed the sum of all prior year fiscal obligations for the cleanup of hazardous wastes.

Our current plans call for a total cleanup effort of \$197 million in this fiscal year. \$33 million of that will come from the state spill fund. It is anticipated that, with cooperation from the EPA, another \$46 million will come from the Federal Superfund. We are projecting that our efforts to collect cleanup costs from responsible parties will account for another \$18 million in this effort.

### Hazardous Waste Cleanup in New Jersey

Summary of New Projects By Fiscal Year (Major Projects)

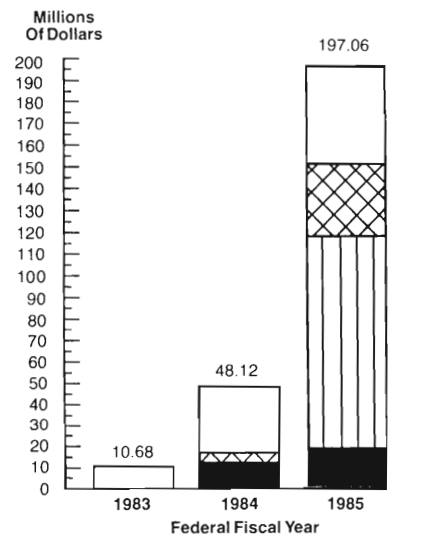


in receiving over \$35 million for the task of long-term cleanup. This represented more than 18.5% of the total amount that has been obligated for Superfund projects in the entire country.

With the proposed addition of ten new sites by the U.S. Environmental Protection Agency (EPA) in October, New Jersey now has secured 95 sites on the Superfund

### Hazardous Waste Cleanup in New Jersey

Summary Of Dollar Obligations By Fiscal Year (Major Projects)



\* FY 1985 program from contingent action anticipated. Federal actions.

This leaves a shortfall of approximately \$100 million for this year's cleanup program. We can meet this shortfall with funds from the Hazardous Discharge Bond Act which the voters passed in 1981. Senator Dalton and Assemblyman Bennett have introduced legislation which appropriate the necessary cleanup monies from this bond fund. I call upon you to pass this legislation as quickly as possible. These funds are vitally



needed if we are to complete the aggressive hazardous waste cleanup program we have underway in the current fiscal year. Without them, our cleanup program would be severely curtailed. With them, New Jersey can once again set the record for the most extensive hazardous waste cleanup program in the nation.

I have just outlined for you a record of significant progress in cleaning up hazardous waste — a record unmatched by any other state. I am extremely proud of this record. But I must tell you that it is not enough. We have only begun the task at hand, and there is much more to be done in order to ensure that it is completed successfully.

In the year ahead, our ability to forge ahead with our cleanup program, to protect the public from the hazards that toxic waste sites can pose, and to extend our national leadership in this area even further will depend on the actions we take together.

The program now planned by our Department of Environmental Protection will set yet another record for a state cleanup effort in fiscal year 1986. That planned program calls for over \$200 million to be devoted to toxic waste cleanup in the coming fiscal year. It would enable us to stick to the ambitious schedule set forth in the four-year management plan which I announced two years ago. It would ensure that New Jersey is proceeding with maximum speed — a speed unmatched by any other state — in its effort to protect public health by cleaning up hazardous waste sites.

Our task this year is to make sure that the program has the resources it needs to succeed.

It is a task that we absolutely must perform.

To fail in it would be to shirk one of the chief responsibilities we face as servants of



New Jersey: the protection of our state's future.

There are several needs that must be met in order to ensure the full effectiveness of the cleanup program.

First, of course, we will need continued — and greatly expanded — help from the Federal government.

Our cleanup plan requires approximately \$80 million from the Federal Superfund to keep us on schedule. That program can only be accommodated with a major expansion of the Superfund when, and if, it is reauthorized by Congress this year. But it is very reachable under the size of the Superfund envisioned in the major pieces of reauthorization legislation which Congress unfortunately left pending at the end of this past session.

There has been talk at the Federal level of a freeze on Superfund appropriations at current year levels.

Such a freeze would be a disaster for New Jersey. And it would be an act of stunning irresponsibility by the Congress, since it would have a markedly negative impact on the environment, and on providing safe drinking water to the American people, while having a minimal impact on the Federal deficit.

I call upon our Congressional delegation to act forcefully to ensure that cleaning up toxic waste does not become a victim of efforts to reduce the deficit. I will do everything in my power to assist them in that effort; in fact, I have already communicated my views on this subject to the White House.

The majority of monies in the Superfund does not come from the Federal budget — it is generated by surcharges on

the producers of hazardous materials.

Quite to the contrary from the Superfund freeze proposal, the real and immediate need is for Congress to pass, and the President to sign, a reauthorization and major expansion of the Superfund law itself.

In 1984, I testified before Congress twice, and communicated with the Executive Branch on many more occasions than that, about the crying need for a reauthorized and expanded Superfund.

I am proud that New Jersey's Congressional delegation taken the leadership role in fighting for Superfund reauthorization. I particularly want to commend Senator Bradley, Senator Lautenberg, and Congressman Florio, the sponsors of the major reauthorization bills in the Congress. They have served the interests of the state well through their aggressive leadership on this issue. They must continue to lead in the year ahead, and, as before, I stand ready to assist them in whatever way is necessary.

In addition to Superfund, the state Spill Fund and monies collected from responsible parties will also contribute to the planned cleanup program for fiscal year 1986.

Although important, these funds cannot be expected to constitute a major portion of the resources needed for cleanup. Our current projection is that they will supply close to \$30 million to the total pool of cleanup funds for fiscal year 1986.

That leaves our fiscal year 1986 program with a major gap between needs and resources. The gap is roughly \$100 million, and we must close it.

Accordingly, I support setting aside \$100 million to meet this shortfall.

I have now called upon you to provide a total of \$450 million to address the major environmental tasks that confront us.

I have asked for the appropriation of \$50 million from the natural Resources Bond Issue to help finance resource recovery projects through the Environmental Trust.

I have asked for the appropriation of \$100 million from the Hazardous Discharge Bond Issue to finance a major component of our hazardous waste cleanup program in the current fiscal year.

And I have asked for \$300 million in new money for each of the three critical environmental needs that confront us today: \$100 million for resource recovery; \$100 million for sewage treatment; and \$100 million for hazardous waste cleanup.

Taking that full \$300 million directly





from the state budget would constitute a major burden for our revenue base to absorb, even with the strong revenue picture that has been created by our healthy economy. Such a level of expenditures would preclude us from addressing several other essential needs and would leave the state's fiscal condition dangerously vulnerable to changes in national economic trends.

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*"A clean New Jersey is a goal that all of us can support."*

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Therefore, I would like to propose an alternative approach.

I propose that we ask New Jersey's voters to approve a "Clean New Jersey '85" bond issue on the ballot this November. I believe that we should ask the voters to approve a bond issue of \$150 million — or one-third the cost of the total "Clean New Jersey" program I have laid before you today.

I plan to ask you to provide the other \$150 million in new money directly from state appropriations when I present my proposed fiscal year 1986 budget to you later this month.

\$450 million is a substantial amount of additional resources to devote to any one area in a given fiscal year.

Yet in light of the magnitude of the problem, \$450 million is the bare minimum we must provide. And it pales in comparison to the cost we would face in the future if these pressing needs are not addressed today.

Preserving our environment is not an inexpensive task. It requires a commitment and resolve that must be sustained over a long period of time, and backed up by a willingness to bear the costs of a better future.

But our ambition in creating a clean New Jersey is worth those costs.

A clean New Jersey is a goal that all of us can support. I am confident that the voters, who realize full well the importance of a clean environment, will support us in this endeavor when they vote on the Clean New Jersey bond issue this fall.

Passage of the bond issue and the accompanying appropriation for a clean New Jersey will enable us to extend the substantial progress we have already made in turning New Jersey into an environmental leader.

I believe that our goal should be no less than to have the cleanest state in the nation.

This \$450 million program will set us along that course.

Our ability to execute a successful cleanup program depends on our ability to sign long-term contracts for the ultimate disposal of hazardous waste once it is cleaned up.

New Jersey has led the nation in cleaning up, and because we have led, New Jersey has been the first state to discover how difficult signing those contracts can be. This state is learning the lesson first that the capacity to handle the long-term disposal of hazardous waste does not exist nationally. There is currently no reliable place to put the materials we clean up.

An aggressive cleanup program requires that we find such a place.

That is why I must ask all members of the Legislature for your full and uniform support of the difficult work of the Hazardous Waste Siting Commission.

The Commission has had, and will continue to have, full public involvement in its proceedings and decisions. It has developed and used the most sophisticated mapping process ever developed for determining the criteria on which it will base its decisions.

This year, the Commission will undertake its most difficult task of all: the actual siting of hazardous waste treatment and disposal facilities. The success not only of the Commission — but of our entire hazardous waste cleanup program — depends on the ability of the Commission to carry out its mission.

emotional issue — and perhaps rightly so. But our task is to make sure that the Commission is allowed to make its decisions for *scientific* reasons — based on the best available environmental data, and using state-of-the-art environmental analysis. To carry out that task will require political courage. It will require leadership amidst possible adversity. And it will require us to operate in the bipartisan spirit that has characterized the work of the Commission thus far.

I commend former Senator Pat Dodd for this work in leading the Commission. And I ask for your support of their vital efforts in the year ahead. Their work is too important to be thwarted for narrow reasons.

Another critically important element of our toxic waste cleanup effort bears mention, because it has been quite effective during this past year.

1984 marked the first year of our implementation of the Environment Cleanup Responsibility Act, which I signed in September of 1983. This law should help us avoid the kinds of situations which led to the volume of hazardous waste problems we face today. It requires the investigation and cleanup of industrial properties before they can be sold, or their ownership transferred. This past year, the law resulted in 62 cleanups, ranging from minor soil and drum removals to multi-million dollar remedial actions. New Jersey is unique in providing this kind of protection against future hazardous waste problems. The law will serve us well.



The unfortunate fact is that hazardous waste must be properly treated and stored *somewhere* if we are to prevent it from doing major damage to the environment and the health of our citizens. Just where that somewhere should be is not an easy choice to make — environmentally or politically. Hazardous waste has become a highly

As I mentioned earlier, aggressive enforcement efforts against parties responsible for hazardous waste dumps is a key piece of our overall program to clean up such dumps. It will be a continuing focus of our efforts in the year ahead.

One piece of legislation in particular will help with this process. That is a change



in the state's spill fund law which would make generators of hazardous waste liable for the clean up of spills, dumpings, or other improper discharges regardless of the identity of the party which may have actually committed the discharge. We have taken the position that generators are in fact liable under current law, but our case would be strengthened if it were explicitly stated in the law. The Federal Superfund law contains such an explicit provision. It has been my policy to make sure that New Jersey's hazardous waste laws are at least as strict as those of the Federal government. Moreover, in the case of abandoned dumps where the dumper cannot be found, this provision would allow us to recover the cost of cleanup from those who created the waste. I will be forwarding legislation to you shortly which makes this generator liability provision explicit. I urge you to act on it expeditiously.

*"Penalties for hazardous waste violators must be applied swiftly and forcefully, whether to the driver of the truck or the chairman of the board."*

Enforcement is the key to a successful hazardous waste strategy. As I said to you in my Annual Message last year, penalties for hazardous waste violators must be applied swiftly and forcefully, whether to the driver of the truck or the chairman of the board. In the year ahead, I urge you to consider even stricter penalties for those who are convicted of illegal disposal of hazardous wastes. This is a serious offense with heavy consequences for the victims — all of us. The consequences for the criminals involved should also be serious. I will work with you to make sure that they are.

This past year, the Department of Environmental Protection adopted regulations in response to the law you passed to require broad background disclosure of businesses engaged in the handling and disposing of both solid and hazardous wastes. This is a key step in helping us to deny permits to known criminals in the solid and hazardous waste businesses. It will yield important benefits.

Over half of New Jersey's population is dependent on groundwater for its drinking water supply, and many of our toxic waste

sites could contaminate that groundwater. That should underline the urgency of continued action on our cleanup program, and the need for continued vigilance in protecting groundwater supplies.

With your cooperation, we in New Jersey have instituted the most comprehensive safe drinking water program in the country.

Following legislation which you passed and I signed just one year ago, we have moved ahead with a program to implement stringent new testing requirements and to set standards for drinking water. In addition, we came forward last year with comprehensive and nationally significant regulations governing the management practices of municipal and private water suppliers to further protect the integrity of our state's water supplies.

In addition to improperly disposed of hazardous wastes, leaking underground storage tanks can be a source of groundwater contamination. Assemblymen Jimmy Zangari and Stephen Aduato, Jr., have introduced a package of bills which would address this problem. One bill would require the registration of underground tanks above a certain size, and the other would provide low interest loans to protect water supplies from leaking tanks. I strongly support the concept of these bills. I urge you to work with affected individuals and groups to come up with final legislation, which would protect us from leaking tanks without placing undue burdens on homeowners and minor storage facilities that do not constitute a major threat, so that we can enact it quickly.

During the past year, New Jersey was struck by some of the worst flooding in its entire history. You joined me in taking steps to correct the damage and to prevent future disasters. More steps need to be taken in the year ahead.

Your passage of legislation which

provided \$18.2 million for watershed management, the state share of flood control projects, land acquisition, wetlands preservation, and an emergency flood warning system was an excellent first step. I congratulate Senator Leanna Brown and Assemblyman Ralph Loveys for their sponsorship of this needed legislation.

The Department of Environmental Protection followed on that effort by selecting a major flood control plan for the Passaic River Basin from proposals developed by the U.S. Army Corps of Engineers.

For over thirty years, local and state officials have been unable or unwilling to agree on a comprehensive plan to control intermittent flooding of the Passaic. It has seemed in the past that the will to act subsided when the floodwaters receded.

This decision represents an end to that era. The plan calls for a 13-mile, dual-inlet tunnel, combined with a variety of channel modifications, levees, and floodwalls.

In the year ahead, we need to press ahead with this flood control plan. The public must, and will, be involved in every step of the process. I will ask for your cooperation and those of local officials in the Basin in coming up with the financing for the non-federal share of this project. And we will continue to take short term measures, as we did this past year in providing \$5 million for the buy out of especially vulnerable homes in Wayne, to prevent any future calamities as the plan is being implemented.

A key means of protecting ourselves against flooding is to protect our natural wetlands. These areas act as a sponge which provide the most effective form of flood control of all. Protecting these valuable lands has a range of other — and no less worthy — benefits as well. It is perhaps the most important way to purify our surface and





groundwaters, thus protecting drinking water from contamination. And it protects the natural buffer between water and dry land that acts as a habitat, spawning, and breeding ground for various forms of wildlife.

In 1984, our Department of Environmental Protection took regulatory steps to protect wetlands primarily as a means of limiting development in flood hazard areas.

You have legislation before you which would go further. Assemblywoman Ogden and Assemblyman Riley have each introduced legislation governing the protection of inland wetlands. In the coming year, we should examine these approaches carefully to come up with a comprehensive wetlands strategy — one which



encompasses all of the benefits I have just mentioned without producing a chilling effect on the economic development of which New Jersey is justifiably proud. Perhaps a compromise between the Ogden and Riley approaches is in order. I pledge to work with you in developing one so that I can sign it into law.

The storms of this past spring also did major damage to New Jersey's shore areas. We were successful in winning Federal assistance to restore some of the damaged areas and to compensate victims. Monies from the shorefront protection bond issue allowed us to take further steps to mitigate damages and protect the shore for the years ahead. But those bond monies will not last for long.

What is needed in the longer term is a stable and permanent source of funding for shorefront protection efforts. Several ideas have surfaced for establishing such a source of funding. It is now up to our shore area legislators to agree on the best of these ideas so that we can move to protect our beaches and shorefront communities. Again, I pledge to work with you in developing the best approach.

In addition to protecting the shore, I strongly believe that we should act to

preserve the quality and the richness of the ocean which borders it. The ocean has contributed so much to New Jersey and millions of its people. We cannot let pollution take its beauty and its vital support systems away from us forever.

Last year in this Message, I proposed that the EPA move the disposal site for the dumping of sewage sludge to 106 miles offshore, and away from the much shallower site 12 miles off Sandy Hook that is currently being used. At my continued strong urging, and that of a number of members of our congressional delegation, particularly Senator Lautenberg, Congressman Hughes, and the late Congressman Forsythe, the EPA proposed this year to designate the 106-mile site as the site for sewage sludge disposal. It is time now for the EPA to take final action to effect that move. The ocean waters off New Jersey cannot continue to absorb the volume now being dumped in them.

Ultimately, in fact, even the designation of the 106-mile site is but an interim solution. Our final goal should be to end ocean dumping once and for all.

In the coming year, we must look at the various other sources of ocean pollution, and begin to devise a strategy to act on them. This past year, we made some progress on curbing the plume of untreated sewage that is spreading southward toward our New Jersey beaches. Our congressional delegation should be congratulated for their efforts to put a limit on the continued dumping of untreated sewage into the Hudson and East Rivers by New York City. I hope Congress will act this year to pass the compromise solution they crafted to curb this dumping.

At the same time, New Jersey municipalities must meet their responsibilities to treat sewage as well. Our own towns are not without fault in polluting our ocean waters, and we need continued progress on our wastewater treatment projects here in the state if we truly want to reduce ocean pollution. That is yet another reason why passage of the Environmental Trust legislation I spoke of earlier is warranted.

If we are to save our precious shoreline, our productive fishing industry, and the shore's rich heritage, we must act now to cut down on the pollutants going into the ocean. The ocean is not a cesspool; it is a valuable and life-giving resource. We should treat it as such.

Following up on the major regional conference on acid rain which I hosted thirteen months ago, we awarded four

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*"The ocean is not a cesspool; it is a valuable and life-giving resource. We should treat it as such."*

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pioneering grants in acid rain research in the past year. This will help us learn more about the effects of acid rain on our state, and I thank you for providing the special appropriation that helped fund this vital research. Acid rain is, however, a national problem. At the Federal level, the time has come to move from research into action. The body of available data points to one conclusion: sulfur dioxide emissions must be reduced. The Congress and the Administration in Washington must have the courage and the foresight to act before the damage caused by acid rain becomes irreversible.

That is only part of a crowded and urgent environmental agenda. My request is that you make it the focus of your efforts in the year ahead.

New Jersey is creating a legacy — one based on economic growth, pride in our state, and an increasing quality of life.

Nothing could derail that legacy, stunt that growth, crush that pride, and undermine that quality, as much as a failure on our part to understand adequately the importance of our environment — and the imperative we face to protect and enhance it.

I am confident that you understand, and that the people of New Jersey understand. They have strongly supported our efforts to protect New Jersey's environment in the past. They share the goal of a Clean New Jersey. And I believe they will work with us in making the investments necessary to meet that goal.

We have a record of remarkable achievement on the environment in the last few years. But we are trying to tackle problems that went unrecognized for decades upon decades. Environmental protection is a young movement in this country — one that must make up for a much longer history of sometimes careless disregard for nature.

Let us intensify the movement in the year ahead.

Let us make 1985 the year of the environment in New Jersey.

Let us write a new and brighter history.



# EDUCATION

**I**n the past three years, New Jersey has broken from the pack when it comes to educational reform.

Other states have commissioned studies and implemented reforms, but few have matched the originality of our ideas, the intensity of our drive for excellence, or the comprehensiveness of our commitment to improvement.

New Jersey has emerged as the leader among states. And far from being a time to retreat from that position or content ourselves with the progress that has been made, now is the time to redouble our efforts if we are to outdistance the field.

By now, the link between education and jobs has been firmly established. If we expect to remain competitive in a changing national and world economy, we must succeed in building better schools. If we are to deliver a better economic future to our children tomorrow, we must provide them with a better education today.

Improving our schools is a race that New Jersey must win. Our future as a state depends on it.

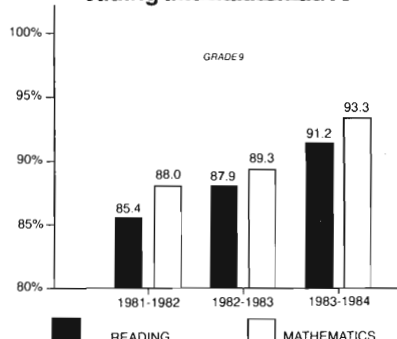
I know that this is a commitment you share. And with your assistance, and the outstanding leadership of Education Commissioner Saul Cooperman, it is a race we are winning.



1984 was a year marked by major reforms and significant accomplishments in the field of education.

You joined me in providing the largest increase in school aid in history, even at a time when enrollments continued to decline. But the results of our effort to improve the quality of our schools began to be evident.

**Minimum Basic Skills Test Results  
Reading and Mathematics**



New Jersey's ninth graders recorded their best Minimum Basic Skills (MBS) test scores since the inception of the testing program seven years ago.

After 12 years of decline, the Scholastic Aptitude Test (SAT) scores of New Jersey high school students rose for the second year in a row.

And perhaps most importantly, the graduation rate of New Jersey high schoolers jumped 4.5 percent in just one year, improving our national ranking from fifteenth to eleventh best in the country in the process.

1984 was the first year in which we administered the new High School Proficiency Test (HSPT), which includes the new writing proficiency test. Learning to communicate effectively has been identified by all of the major national studies as perhaps the most important element of a good education — and as a dire shortcoming in too many schools across the country. This new writing test will help New Jersey's school districts diagnose and correct problems in their writing instruction programs.

The school year which begins this September will mark the first year in which the High School Proficiency Test will become a part of a student's high school graduation requirements.

1984 witnessed the implementation of most of the major elements of the "Blueprint for Reform" which I set forth for you sixteen months ago.

That blueprint was designed to produce excellence: excellence in our students, excellence in our body of teachers, excellence in our entire school system.

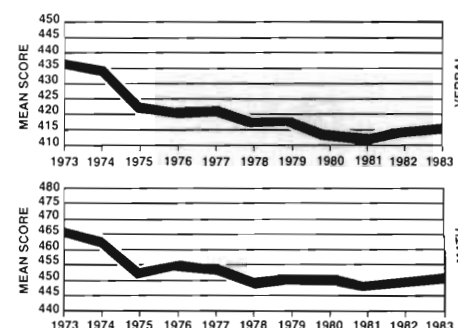
It was put forward in response to a nationally recognized crisis. We were one of the first states to anticipate the crisis and to come up with ideas and programs for how to resolve it. It is to our credit that we have not been afraid to face that crisis head on.

Improving public education is one of the most important tasks we face as a state, and as a nation, during the remainder of this century. The urgency of the crisis in education has not waned, and the tenacity of our response must not wane either.

Perhaps the most crucial part of that blueprint is our plan to improve the quality of teaching in our schools. Teachers are the heart and soul of the educational process; they must be the focus of our efforts.

In the past year, several key pieces of our program to attract more talented young people to the teaching profession, and to provide incentives and skills training to those who are already in the system, won approval.

**Mean SAT Scores: Verbal And Math**



The State Board of Education approved my proposal for an alternative route to teacher certification in New Jersey. As you know, the plan would allow someone with a baccalaureate degree, who has passed a subject matter test in the field they intend to teach, and who has successfully completed a one-year, intensive supervised internship in the schools, to become certified to teach in New Jersey.

We are now in a position to begin implementing this program this coming fall. Starting in September, local school districts will be able to offer the state-approved internships that can lead to certification for those who complete them successfully. This program will not only help us expand the pool of talent in the teaching profession, it will also allow us to do away with the "emergency certification" system in almost all areas. That system has been used too often in the past.

My blueprint placed a priority on providing teachers and administrators already in the system with the updated skills and training they need to be the best that they can be. That priority is reflected in the creation of the Academy for the Advancement of Teaching and Management in Edison.





Tomorrow marks the first day of training in the new academy for 300 professionals from 60 school districts around the state. The Academy will help these teachers and administrators grow as professionals, and will give them ideas and lessons that they can bring back to other professionals in their districts. And the ultimate beneficiaries of better teaching and management will be our students.

This progress is encouraging and noteworthy, but it is not enough.

If we are to cement our position as a leader among states in the field of education, we will need to take additional steps in 1985.

Again, those steps must center around attracting, retaining, and stimulating quality teachers.

In the next ten years, more than half the teachers now teaching will retire or leave the system. The issue of who will replace them is one of the most serious issues confronting us in the next decade.

We must face it.

New Jersey must lead.

Perhaps the most critical element of our "Blueprint for Reform" will come before you this year. When I present my budget for fiscal year 1986 to you in a few weeks, I will ask you to provide the funds necessary to increase the minimum starting salary for new teachers throughout the state of New Jersey to \$18,500.

This is a cornerstone of our plan to attract more young people into the teaching profession. It is the key means through which we can make teaching competitive with other fields. It is an essential step in restoring the stature of the teacher in the community.

I urge your prompt and favorable consideration.

At the same time, I recognize that increased starting salaries, in and of themselves, may not be enough to make teaching more competitive with other fields. We must devise a means not only to attract new people to the profession, but to keep talent in the system by rewarding it. Exceptional performance by teachers should be recognized, as it is in other fields.

That is why, inextricably linked to our program to attract new teachers with higher salaries, must be a companion program to recognize and reward outstanding teachers already in the system.

I have proposed such a program to you in the form of a plan to establish "Master Teachers" in the state. Adoption of that plan *must* be a part of any new system for teachers salaries we enact this year.

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*"Improving our schools  
is a race that New Jersey  
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a state depends on it."*

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The Commission on Master Teachers which I appointed issued its report this past year, and we now stand ready to begin a three-year pilot program in three selected districts this September. The commission's report was excellent; it stressed the importance of peer input in selecting master teachers. It is my hope that, if the pilot program proves successful, we will be able to expand this program throughout the state.

As a colleague of mine from another state has said, teaching is the only profession in which excellence is not rewarded with one additional penny. That should be changed.

I would also like to propose to you today two additional steps aimed at this central question of quality teaching.

First, I propose that we launch an aggressive effort to recruit 100 top college graduates each year into the teaching profession by offering to redeem their student tuition loans in return for service in New Jersey's public schools.

Candidates who meet rigorous standards and commit to a specified number of years teaching in our public schools would become Governor's Teaching Scholars. They would receive education loans that the state would repay as they complete their commitment to the schools.

I propose that we offer tuition support to Governor's Teaching Scholars while they attend undergraduate institutions in New Jersey as well as other states, but that they must teach in New Jersey.

I have asked my Department of Education to develop selection criteria and provide logistical details by May of this year. And I will ask you to provide the funds necessary in future budgets to implement this program. As I envision it, we could begin this program in the 1986-1987 school year.

Secondly, I would like to propose a new initiative designed to generate ideas for better teaching from the best source we have: the teachers themselves.

Good ideas about education come from teachers every day, and yet they are often known to only a few colleagues. There has not been a simple way to develop, evaluate, and communicate those ideas to others.

I have a proposal that will capitalize on those ideas, recognize those who come up with them, and spread the best ones to other schools around the state.



My proposal is to establish up to 30 Maxi-Grants of up to \$15,000 to be awarded to teachers for the development of proposals that specifically deal with ways to improve student learning. We will ask teachers to come up with proposals which can be evaluated, the success of which can be measured, and which can be copied in other districts once they have proven to be successful.

The purpose of Maxi-Grants would be to stimulate new ideas — and to showcase those that work.

I will ask the Department of Education to develop rigorous selection criteria; and I am certain that the competition for these grants will be stiff — and the quality of the proposals impressive.



*"Teaching is the only profession in which excellence is not rewarded with one additional penny. That should be changed."*

Beyond these new ideas to improve the quality of teaching, I will ask for your support in my proposed budget for two programs designed to deal with special problems in certain school districts.

In my last Annual Message to you, I announced that I would come forward with a special program designed to address the unique problems facing urban school districts. As you know, that program has been announced, and I ask for your continued support.

Three school districts — Trenton, East Orange, and Neptune Township — have been selected to participate in a special three-year pilot program, called Operation School Renewal, which will get underway next month. They will address some of the major problems facing urban districts — such as attendance, disruptive behavior, youth unemployment, principal effectiveness, and the need to improve scores — and share their lessons with other districts across the state.

In the meantime, senior officials in our Department of Education will undertake a broad-based effort to help all 56 of the state's urban districts tackle some of the major problems facing urban schools.

One of the most challenging problems is fostering computer literacy and spreading the use of computers in schools — not only in urban districts, but throughout the state. Computer education is one of the nine key issues which the broad-based urban initiative will focus on; through spreading information on computer hardware and software to school districts, setting up three regional computer training centers for teachers and administrators, and sharing information and training on the uses of computers in the schools with various school districts.

Another of those key problems — and one which is not confined to our urban districts alone — is the negative effect that disruptive students can have in the classroom. Teaching well is a difficult task, and it becomes all the more difficult — if not impossible — when the classroom environment is continually disrupted by

individual students who are not interested in learning. These students have special problems; they demand special solutions.

In my budget presentation to you, I will ask you to fund a new effort designed to provide alternative learning environments for disruptive students. Our Department of Education has actively researched all of the available literature on disruptive students. It is clear that they must be removed from the regular classroom if their colleagues are not to suffer; but it is also clear that the alternative settings must be geared to meet the particular needs of these students. This proposal will help accomplish both of these things.



Much has been written and said in the last several years about the school aid formula through which the state provides funds to our public schools. And the subject certainly deserves our examination and attention.

I have proposed and supported the largest increases in aid to our schools in history, yet my Administration — like that which preceded me — has been unable to fully fund the formula.

The time has come for a thorough re-examination of the formula. I will have more to say about that in my budget message to you later this month.

The charade through which we currently put local school districts should be ended. It should be replaced by a system which would allow districts to realistically plan their budgets based on numbers which the state's revenue base can support.

Perhaps more than any Governor in the history of this state, I believe in education. But I also believe in sound management, in sound fiscal policy, and in addressing the tough issues head on. It is time to face this issue.

In the coming year, I will be undertaking a new responsibility which underscores New Jersey's leadership in the field of education. In July, I will become the chairman of the Education Commission of the States, a compact between the 50 states which is designed to be a forum for sharing the best ideas for education reform from around the country.

Clearly, New Jersey has some ideas to share.

I plan to use this position as a forum for outlining our experience with the kinds of constructive changes we have pioneered together here in New Jersey. I know that the rest of the country will be listening. They will be watching us.

At the same time, I hope to bring back some of the best ideas from other states to New Jersey. Various other Governors around the country have adopted progressive reforms that are working. I want to learn about them. And I will ask you to join me in considering their possible application in New Jersey.

Now that we have carved out our position as the trailblazers for better schools, let us not disappoint.

Let us continue to innovate, to strive for excellence, to work for a better future.

We know that our new ideas are worthwhile; it is now up to us to act on them.



# HIGHER EDUCATION

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1984 was a watershed year for higher education in New Jersey. Based on the proposals I presented to you in my Annual Message last year, we unleashed a full range of the state's resources in a comprehensive drive for excellence in our system of higher education.

We provided a major infusion of capital to increase the quality of programs being offered in our institutions of higher learning and to upgrade their facilities and human resources.

We launched an intensified effort to attract top quality students to those institutions.

We worked to raise the standards for students and faculty at New Jersey colleges and universities.

And we undertook an historic program to establish several institutions as nationally recognized centers of research in emerging high technology fields.

I believe that this drive for excellence was — and is — vital.

New Jersey's ability to secure its position as a leader in creating jobs in the

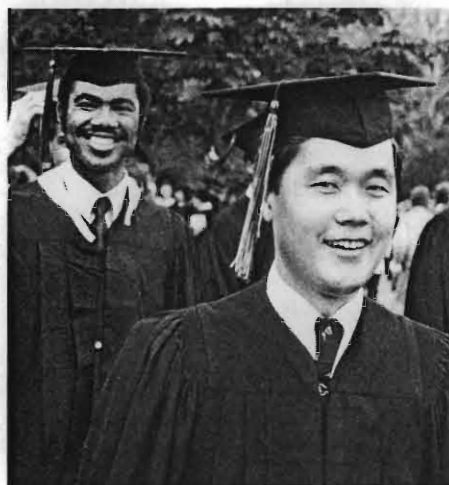
*"The challenge is... to make New Jersey's system of higher education one of the best in the nation."*

future is linked perhaps more than any other factor to the quality of our system of higher education and to the system's continued leadership in research.

New Jersey's Economic Policy Council recently undertook a study of the determinants of high technology growth in states. One of the key conclusions of that study was that "...higher educational attainment is closely related to high technology development and is an important determinant of its success."

That conclusion confirms what we know: that improving our system of higher education must remain a top priority of the state if we hope to enjoy the fruits of continued economic development in the years ahead. Moreover, we must continue to strengthen the cooperative tie between that system and private industry in order to ensure that our programs, research, and training are geared toward the needs of growing industries.

Our efforts, then, have a dual mission: to attract business by being a center of



educational excellence and quality research, and to equip our workforce to perform the jobs of the future.

Fulfillment of that mission advanced tremendously this past year with your passage of the Jobs, Science, and Technology Bond Act, which I proposed in my message to you last year at this time. The people of New Jersey support this effort to bring jobs to the state — as evidenced by the overwhelming endorsement they gave the bond issue at the polls in November.

The challenge now before us is to accept the responsibility which the mandate given us by the voters carries with it. The challenge is to achieve the goal which we have set for ourselves and which the public wants us to meet: to make New Jersey's system of higher education one of the best in the nation.

The sweeping program I laid before you last January has set us on the road to achieving that goal.

The four academic-industrial centers which will be largely funded by the bond issue will firmly establish New Jersey's

place at the cutting edge of research in areas in which commercial and industrial applications are growing rapidly.

The establishment of a Center for Ceramics Research at Rutgers, because of ceramics' applications in aeronautic and automotive engineering, computers, televisions, tools, manufacturing, and optical fibers, is expected to serve as a magnet for new and established firms involved in these areas.

The Center for the Study of Hazardous Materials at New Jersey Institute of Technology will provide needed research in an area of critical importance to New Jersey and all other states. It will be the most advanced center in the country looking into an area which many states are just now waking up to.

The planned construction of a Center for Biotechnology Research on the adjoining campuses of Rutgers and the University of Medicine and Dentistry of New Jersey in Piscataway is designed to capitalize on New Jersey's concentration of health care, pharmaceutical, chemical, and medical equipment companies, and to generate research and new products with applications in those fields.

And the Center for Food Technology, which is scheduled to be built on Rutgers' Cook College Campus adjacent to the existing Food Science Building, will solidify New Jersey's national leadership in food processing, packaging, and distribution — which already includes 753 firms involved in these activities located in the state.

While the establishment of these four centers is the most celebrated initiative we have undertaken during the past year, it is by no means the only stride we have made toward higher education excellence.

Perhaps the most clearly identified





need for tomorrow's workers is increased proficiency in math, science, computers and technological subjects. Therefore, last year I asked for your support for a major technology initiative which had several purposes:

- to incorporate computers into the curricula of a greater number of courses at our colleges and universities;

- to improve the training of those who will teach math, science, and computer sciences, and to expand the supply of these teachers;

- to provide retraining for qualified math and science Ph.D.'s to prepare them to teach computer science;

expansion is our program of grants to New Jersey colleges and universities for strengthening programs in the humanities. The first year of our humanities grant program attracted national interest and attention. It should be continued, and broadened.

A program in the humanities is a necessary complement to the efforts we are making in technological subjects. For as we strive to enhance New Jersey's competitiveness in the high technology economy, we must not forget to nourish the cultural and intellectual roots that give strength to our democracy.

By continuing the drive to build

to upgrade academic departments in the humanities is to encourage a greater number of New Jersey's outstanding students to attend college in the state — and to attract outstanding students from other states.

In the past year, we began two other new programs to convince more New Jersey high school students to go to college in the state.

First, thanks to your passage of a bill I recommended in last year's message sponsored by Senator Feldman, we instituted a Garden State Distinguished Scholars Program. This program awarded scholarships, based on merit, to the most academically talented high school graduates attending college in New Jersey. In addition to providing an incentive for some of our best students to remain in the state, the Garden State Distinguished Scholars Program is designed to reward academic achievement by high school students.

Secondly, we began a more direct effort to encourage *all* high school seniors to attend college in New Jersey by making sure that they had information on the full range of academic programs and financial aid opportunities available in the state. Survey research has shown that many of the 40% of New Jersey high school graduates who choose to attend college out of state do so because they are uninformed about all of the programs available here in New Jersey. Often, they cite the availability of academic or extracurricular activities as the deciding factor in choosing to go out of state when these programs were available at higher quality institutions here in the state. Some students are unwittingly foregoing better programs here in the state because they are unaware of them.

This past year, our Department of Higher Education set out to correct that problem through a new marketing program designed around the theme "College in New Jersey: Let It Work For You."

The goal of the marketing program is to make sure that our high school students make a fully informed choice when selecting a college. Part of the program was a press conference on available academic and financial aid programs for all of the high school newspaper editors in the state at which I spoke last month. This kind of outreach can help us retain a higher percentage of New Jersey's high school graduates in the state, and reverse the "brain drain" for which the state has become notorious.



- to provide grants for the purchase of the state-of-the-art technical and engineering equipment needed to improve our undergraduate education programs in technical subjects;

- and to provide support for the Center for Information Age Technology at New Jersey Institute of Technology, which we established in 1983.

This technology initiative was geared to meet a number of critical needs: the most important of which is to produce highly trained engineers, architects, scientists, and technologists who can fill the job needs of an increasingly technology-based economy.

Those needs exist now more than ever, and when I present my budget to you I will ask for your continued support — and for an expansion — of this successful technology initiative.

Another initiative launched last year which deserves continued support and

superior academic departments, to establish honors programs that will be attractive to students, and to bring visiting scholars to New Jersey, we will be ensuring that the humanities remain a part of our overall educational experience, of our common heritage, of the growth of our society. In the long run, this renewed focus on the humanities will enrich us all.

Last year, we also introduced legislation that would permit the use of Higher Education Assistance Authority reserves to support a new Fund for the improvement of Collegiate Education. This fund would provide money to the colleges and universities on a competitive grant basis to enhance institutional quality by improving classroom instruction, modernizing the curriculum, and upgrading student services. I look forward to signing this important piece of legislation.

An underlying agenda in the effort

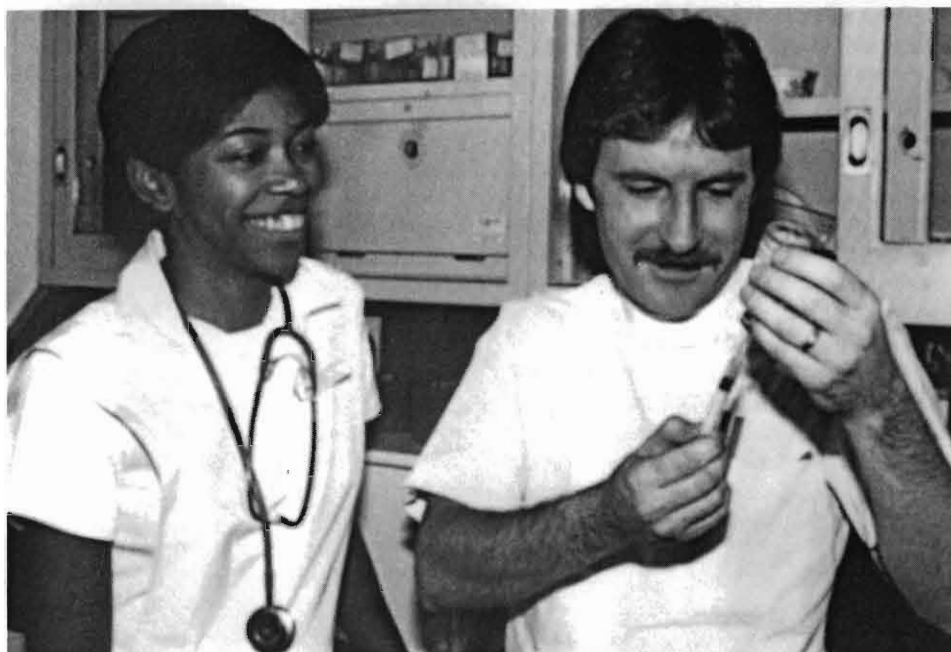


To make certain that New Jersey residents have access to a diversity of institutions, the State appropriated \$41.9 million for the Tuition Aid Grant Program (TAG) in fiscal 1985. This resulted in an increase in financial aid to students attending public institutions and a major increase in the awards to New Jersey residents attending the State's independent colleges. My Administration is committed to making every effort to increase access to higher education opportunities in New Jersey.

For those students who remain in the state, we worked this year to increase both the standards governing the degree programs at our colleges and universities and the standards for students entering the higher education system in New Jersey.

The Department of Higher Education revised its regulations on the licensing of degree programs to make them more stringent. The Board of Higher Education adopted recommendations for raising standards of student performance, while recommending that New Jersey institutions adopt more rigorous prerequisites for high school students seeking to enter them.

Along with increasing standards for degree programs and students, we must also increase the standards of the faculty at our colleges and universities. This past year we took a step in this direction with your passage of the Minority Faculty Advancement Loan and Loan Redemption Program. This program provided for loans to qualified minority faculty to study for and receive doctoral degrees. The program also provided for loan redemption for those minority faculty members who returned to the campus to teach after receiving their doctorates.



We need to do more. We need to expand this program to attract highly qualified students into the teaching professions, to upgrade the qualifications of current faculty, and to meet shortages of qualified teachers and faculty in a particular field of study. There is legislation currently before you which would allow the Board of Higher Education to designate particular groups as eligible for loan redemption in order to meet ever-increasing manpower needs within the State. I support this legislation and ask you to give it your support.

New Jersey's public colleges and universities enjoyed an especially productive and eventful year in 1984. I ask you today to join me in four challenges to New Jersey colleges and universities — challenges to achieve the greatness that now lies within their grasp.

I issue these challenges from a particular point of view about higher education. Government, I believe, should avoid intrusion into the governance of the college and university.

Leadership must come from the president, board, and faculty on each campus. That leadership has the historic responsibility to deliberate and act upon the elements of excellent undergraduate, graduate, and research programs.

No one should expect that deliberation to be quiet or without risk. Rather, the debate will be loud, even sharp. Yet such dispute is the mark of free institutions, and especially academic institutions.

While government should not intrude, it can and must encourage.

I believe that a special condition exists in New Jersey that calls for our encouragement at this point.

There have been reports criticizing higher education around the nation, and more such reports are expected in 1985. And yet in New Jersey, several institutions stand poised on the edge of real distinction.

They have thought about their missions and have identified targets worth reaching for. They have attracted vigorous support from the private sector. And they have looked for and found strength within their own communities.

It remains for us to press them to do what they have become newly aware that they can do. In short, we must challenge them, and back up that challenge with decisive financial support provided that the boards, presidents, and faculty take up the challenge.

Taking up the challenge will mean setting goals that are clear and high. It means a willingness to dare greatly, and even to fail at times. Above all, it means a commitment to the highest standards.

Here, then, are my four challenges.

First, I challenge New Jersey state colleges to join this nation's very best state colleges, and to do so by making effective use of a new autonomy.

In October, I appeared before our state Board of Higher Education to endorse the most important change in the governance of our state colleges in almost two decades.





That change is to transfer the fiscal and operational authority for the state college away from several agencies of state government to each college's board of trustees. The board approved this proposal.

This idea emanated from the report of the Commission on the Future of State Colleges. That report made it clear that the time had come to give each state college the operational autonomy needed to pursue its own strengths and mission within a more flexible framework.

In recent years, the state colleges have made great progress. They have raised standards for faculty and students alike; they have updated their general education programs; they have devoted faculty to those academic areas in which enrollments are growing.

With the autonomy proposed by my Commission and the Board, the state colleges face an opportunity to expand that progress. They face an opportunity to become among the very best state colleges in the nation.

To do so will require strong leadership from their presidents, boards of trustees, faculties, and student bodies.

It will require the state colleges to place a strong emphasis on excellent teaching.

It will require them to offer broad and balanced curricula in arts and sciences as well as in professional studies.

It will require them to provide the

kind of up-to-date instructional equipment, libraries, and an overall physical environment that best fosters learning.

And it will require them to recruit and provide access to a diverse and achievement-oriented group of students.

To meet this kind of a challenge will require money.

But I am prepared to recommend to you that, for a limited period of time, but one long enough to allow the colleges to meet the challenge, we extend a major financial commitment to our state colleges to help them meet these goals.

Our commitment must be matched by specific and comprehensive plans from the colleges themselves.

Each college must follow its own path to excellence. And if that path is clearly defined, geared to quality teaching, and designed to foster academic achievement by students, the state should be prepared to provide the resources.

I support the state college autonomy legislation now before you and I call upon you to enact it swiftly. When I present my proposed budget to you later this month, I plan to ask you for the resources necessary to extend this unique challenge to New Jersey state colleges.

In addition, I seek your support for a program that will encourage the early retirement of tenured faculty to help institutions adjust to decreased enrollments

in certain subject areas. Such a program will permit the colleges to pay more attention to new and developing instructional areas — and to devote the necessary faculty to them.

In return, I hope that our state college presidents, boards, and faculty will accept and thrive on the increased responsibility this challenge places upon them. If they seize this opportunity, they will be taking a major step toward achieving the national prominence that New Jersey state colleges should rightfully hold.

My second challenge is to the New Jersey Institute of Technology.

Like our state colleges, NJIT also stands at a crossroads. NJIT has experienced a decade of unprecedented change and growth. It has added new programs in architecture, computer science, and management, and expanded its research and graduate programs.

In the past two years, it has laid the groundwork to become a major center of state and national research and technical expertise by becoming the home to the Center for Information Age Technology and the planned Center for the Study of Hazardous Materials.

NJIT is now ready to take the next step. I challenge NJIT to take its place among the nation's premier comprehensive technological universities.

To do so, it will have to update and significantly improve its facilities and equipment — especially those related to





computers.

NJIT has a plan to become one of America's leading "computer-integrated" campuses. In fact, it plans to provide microcomputers to all entering freshmen this coming fall.

What NJIT needs now is the resources to update its central computer facilities to state-of-the-art status, by installing new computer graphics stations, terminals, and design work stations. In addition, it must improve its engineering and laboratory facilities in other areas.

I am prepared to extend the challenge we are offering to our state colleges to NJIT: I propose that we provide the funds necessary for these improvements in return for a commitment from NJIT to meet the challenge of becoming a nationally recognized, comprehensive, technological university.

NJIT's leadership in the field of computers, combined with its already growing reputation in other areas such as hazardous waste management, should attract top flight faculty and students. And that will bode well for its future promise.

My third challenge is to Rutgers.

Of all our public institutions, the state has a special obligation to the State University. It should be the jewel of our system. It should reflect New Jersey's overall drive for excellence, our improving image, our status as a national leader in education.

Rutgers is on the road to becoming one of the nation's — and the world's leading research universities. We should help it along that road.

In a recent national ranking of public research universities, Rutgers was in the top 20% in terms of number and comprehensiveness of quality doctoral programs. It has increased its external grant support by 31% in the past year — a year in which state agency grants to Rutgers tripled.

Just recently, a University-formed Committee announced an "excellence" initiative for Rutgers, with a stated goal of moving Rutgers toward world-class status as one of America's most distinguished public universities.

The Committee called for the formation of a public-private partnership to reach that goal — and to generate the funds necessary to do so.

I believe that the state can, and should, contribute significantly to this partnership.

I therefore challenge Rutgers to become a nationally renowned research

university by attracting a number of world class scholars to New Jersey.

In my budget address, I will ask you to provide funding for the first step in this effort. Our efforts will not only allow Rutgers to recruit world class research scholars to its faculty, but also to assist the research of outstanding junior faculty members, to offer programs to attract the top graduate fellows in the nation, to provide support staff to faculty, and to replace outdated equipment.

The attraction of world class scholars to the Rutgers faculty can turn already excellent departments into outstanding ones. In turn, these scholars will attract other talented faculty and students. So the presence of top-flight talent multiplies itself once that talent is attracted.

I believe it is worth it to help Rutgers achieve the pre-eminent status within its grasp. We do have a higher obligation to our State's university, and we should meet it. Rutgers, in turn, should capitalize on our



commitment to excellence in addressing the challenge before it: to establish itself as a truly world-class university.

Finally, I have been disturbed by reports of a recent *decrease* in minority enrollments in several of New Jersey's colleges and universities.

As an Assemblyman, I sponsored legislation which established the Educational Opportunity Fund to make sure that economically deprived undergraduate and graduate students would be able to afford their education. Currently, the Fund helps over 12,000 New Jersey students.

But there has been a recent decrease in black enrollment in this program. We need to increase our support for summer tutoring and for counseling programs which can help retain students who enter through this program.

I challenge our college and universities to reverse this downward trend in black enrollment. And I will ask the state to do its part by increasing needed funds for the Educational Opportunity Fund.

And while we have continued to increase the student loan and financial aid assistance available to New Jersey students, we have until now neglected one category of loan that could provide increased access to our higher educational system for a whole group of New Jersey students.

I will soon be submitting to you legislation which would establish a "revolving fund" student loan program to allow qualified deaf and blind students to obtain interpreter services.

With this program, deaf and blind students would no longer have to attend schools in other areas of the nation.

I am suggesting nothing less than a comprehensive challenge to the state's public institutions of higher learning.

That challenge does not represent an effort by the state to mandate new policies at these institutions. It does require a response by leaders on all of these campuses, and an acceptance of responsibility for action.

While nothing in this challenge is mandated, the scope of the opportunity it provides demands that our institutions come forward with concrete plans to bring excellence to higher education in New Jersey. It gives our colleges the incentives and the resources to reach for that excellence.



# TRANSPORTATION

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1984 was perhaps the most important year in New Jersey transportation history.

In the beginning of the year, I came before you and asked for your help in creating a stable source of funding for transportation infrastructure projects. New Jersey as a state is dependent on the quality of its transportation system for its continued economic health — for its ability to continue being a national leader in creating jobs in the '80s and '90s. Only with a reliable source of transportation funding, I argued, could we make firm plans to build a better state in the years ahead. Only by eliminating the funding uncertainties that have plagued our transportation program in the past could we be certain to consolidate our position as the nation's transportation capital — and as the region's job-producing leader.

*"The Transportation Trust fund provides New Jersey with its first stable source of transportation funding in 40 years. It will help us create thousands of jobs."*

You responded by passing the Transportation Trust Fund Authority Act of 1984 — probably the single most important transportation landmark in our lifetimes.

The Transportation Trust fund provides New Jersey with its first stable source of transportation funding in 40 years.

It will help us create thousands of jobs.

It will eliminate the ebbs and flows of transportation capital that have not only frustrated transportation planners, but have caused the job market in our construction industry to fluctuate as well.

Passage of the Transportation Trust Fund was a model of cooperation: between the Legislature and the Executive Branch, between business, labor, citizens' groups and government; and between all of the various elements that make up the family of New Jersey.

The voters lent further endorsement to our efforts by passing the Constitutional amendment dedicating 2½ cents of the existing gas tax to transportation capital programs.

All of us banded together because we

realized that this was a sound investment in the future of our state — one which will help us compete in the national and international economy; one which will provide advantages to businesses operating in the state; one which will furnish better service and increased safety to everyone who uses our roads and public transit; and one which will yield many benefits in the years to come.

I thank you for your help in passing this program, and I commend the leadership of both Houses, and the bill's sponsors, Senators Rand and Gagliano and Assemblymen Bryant and Markert, for their hard work in delivering this critical piece of legislation to the people of the state.

We have wasted no time in putting your efforts to work. We have already begun work on several Transportation Trust Fund projects in the current fiscal year.

This past year we initiated the largest resurfacing program in this state's history. We awarded or advertised 30 contracts to resurface more than 133 miles of state highway at a cost of more than \$50 million. Much of that work which is taking place throughout our state is already completed. The rest will be complete this spring.

We made major progress on completing Route 55 — beginning construction on the third section of this freeway in Gloucester County. I expect to be able to open the first seven miles of this long-awaited highway this fall.

first Route 23 contract in Wayne and have started work on the next two sections of that highway.

We continued on our program to complete Interstate 78 through Union County — a vast project that should be finished by the summer of 1986.

We began work on the most extensive bridge rehabilitation and repair program in the state's history, made possible by passage by the voters of the bridge bond issue in 1983, and by the continued leadership of Senator Weiss.

In the year ahead, the Transportation Trust Fund will make possible one of the country's most aggressive attacks on the backlog of needed road and mass transit construction, improvements, and maintenance.

We will proceed with work on the missing link of Interstate 287 in Morris, Passaic, and Bergen counties, with needed widening on Route 17 in Bergen County, with improvements on Routes 169 and 185 in Hudson County, with Routes 18 and 33 in Monmouth County, Route 24 in Morris County, Interstates 295 and 195 in Mercer, the Longport-Somers Point bridge in Atlantic County, Route 90 in Camden County, and a host of other projects around the state.

All of this has been laid out in a transportation plan for state released recently by our Department of Transportation to deal with both the short



We began the construction necessary to eliminate the dangerous Green Street Circle on Routes 1 and 9 in Woodbridge and have completed work on the Bayway circle in Elizabeth. We also completed work on the

term and long term transportation needs and goals.

Not only does this spell out a plan for providing the long overdue and essential highway needs of New Jersey, but it also



emphasizes the integration of our highway and public transit systems through park and ride expansion, ridesharing, and the creation of added parking at public transit terminals.

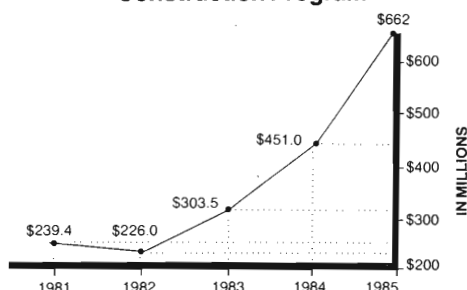
One result of our aggressive efforts in this past year was that we set another record in the amount of Federal funds obligated for New Jersey highway projects. We expect to match that record again this year.

As a result, the overall growth in our transportation construction program is unprecedented in the state's history.

For too long, New Jersey lost out on Federal transportation funds because it failed to put up the necessary state matching funds. That will no longer be the case.

In the fiscal year 1982, our Department of Transportation undertook a construction program worth \$220 million. That number grew to \$303 million in fiscal year 1983 and over \$430 million in fiscal year 1984.

**NJDOT  
Construction Program**



During the current fiscal year, we expect the value of our construction program will leap to over \$800 million — a level that we can match for at least three years to come because of your foresight and cooperation in

passing the Transportation Trust Fund. All of this has been done without increasing staff over 1982 levels.

In the long run, that growth translates into a better quality of life for all of us. And it translates into more jobs for New Jersey.

There is one possible fly in the ointment that could hamper this record of substantial achievement, and I call upon our Congressional representatives in Washington to help us remove it.

Last year, before Congress adjourned, it failed to pass legislation which would allow Interstate and Intrastate Dedesignation funds which are already authorized for the current Federal fiscal year to be allocated to the states.

This means that we have actually received only about half of the funds apportioned to us. Secretary Dole has tried to help alleviate this problem by allocating discretionary funds to New Jersey, but the problem can only be solved by Congressional action.

It is the height of irresponsibility of Congress to delay needed transportation programs in the states for no good reason. Congress should put aside its partisan differences and take action.

I sincerely hope that Congress will make passage of this legislation one of its first orders of business when it reconvenes this month. If not, it could slow the progress of our transportation juggernaut in New Jersey.

1984 was no less important — or accomplished — a year for New Jersey Transit. New Jersey Transit, which had once been called the “oldest and most deteriorated public transit system” in the



nation, was awarded the American Public Transit Association's Outstanding Achievement Award in October.

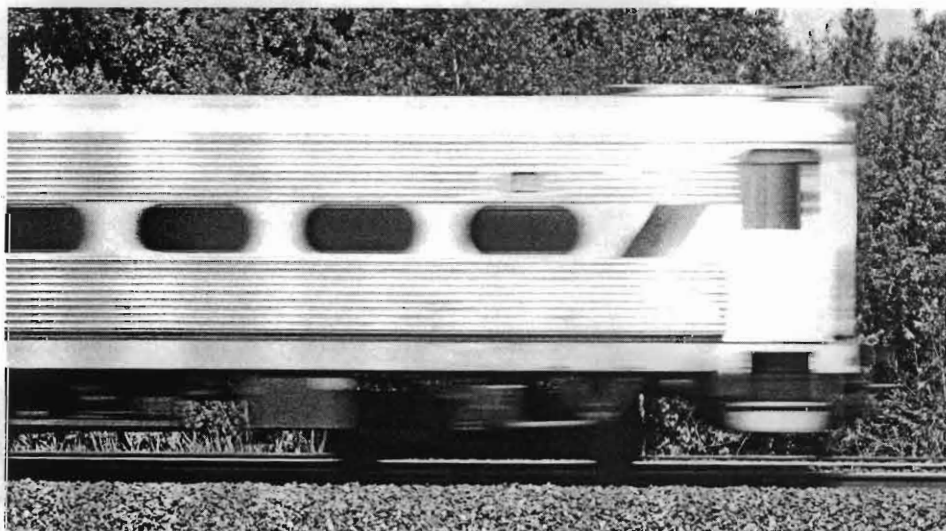
The award noted that New Jersey Transit has undertaken one of the most ambitious capital improvement programs in the nation — improving the quality of its buses, rolling train stock, roadbeds, and rail and bus stations.

As if by example, this year New Jersey Transit received its 700th New Jersey cruiser commuter bus from Motor Coach Industries (MCI), as part of the largest purchase of new buses in the state's history.

We followed that up by signing a contract for the purchase of 100 articulated buses in September. These buses, which bend in the middle and carry 40% more riders, will provide better service and lower operating costs on our heavily used urban and suburban routes.

For the first time in New Jersey Transit's five-year history, no fare increase was required during the current fiscal year. In my view, holding fares down is a key element in attracting new ridership that can support the system.

That is why it is vital that Congress continue to provide operating assistance for mass transit. Without it, our significant gains in mass transportation could well be reversed. Virtually every civilized country in the world invests in the building and running of its mass transportation systems. If anything, the United States' commitment to mass transit is too small — not too great. While the taxpayers have already made a substantial investment in mass transit in this country, that investment will be devalued, if not ultimately lost, if Congress suddenly turns its back on mass transit. Congress should resist the temptation to be penny wise but





pound foolish in cutting the deficit. It should — and must — continue to support mass transit operating subsidies in order to hold fares down and increase ridership.

If the Federal government does not abandon its commitment to helping mass transit by providing operating subsidies, I plan to continue this no fare increase policy into fiscal year 1986 as well.

For almost two decades, the riders of the Morris and Essex Rail Line have been promised re-electrified, upgraded service. This past year, we finally made good on that promise.

The re-electrification of the Morris and Essex Line, which was completed in September, has been called the most complex rail project in the world today, because the work was carried on while rail service was maintained. It has also been called New Jersey's greatest transit achievement in decades. I am proud that it is now, at long last, complete.

At the same time, we secured the federal grant for the planned electrification of the North Jersey Coast Line to Long

Branch. This will provide significant time savings for commuters from Monmouth County and surrounding areas. But again, our success in completing this project could depend on our ability to protect Federal funding for a major portion of the project.

Commissioner Sheridan and I personally lobbied very hard for this funding in the past year, and we plan to redouble our efforts in the year ahead. I solicit your help, and that of our entire Congressional delegation, in assuring the continuation of this vital project.

New Jersey Transit's station and maintenance facilities also enjoyed a year of improvement that bodes well for the future. The agency assumed operation control of Newark Penn Station and already has begun major improvements that will benefit the city of Newark and the thousands of commuters who daily use Penn Station.

Ground was broken for major new transportation centers in Camden and Asbury Park — both of which could serve as anchors for our efforts to redevelop downtown areas of these urban centers.

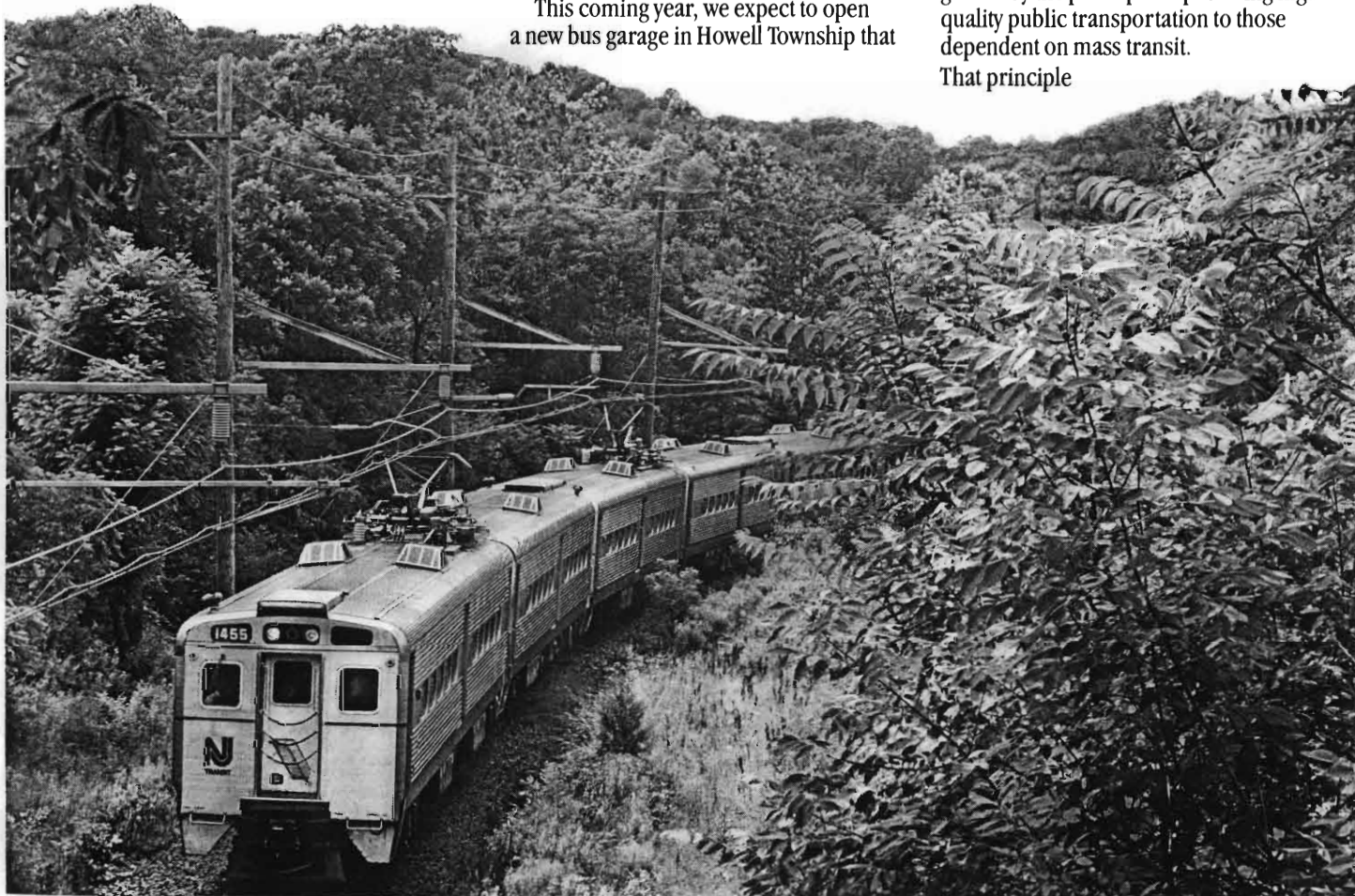
This coming year, we expect to open a new bus garage in Howell Township that

will save New Jersey Transit over \$1 million annually in operating costs, and by next year, we will have completed a state-of-the-art rail



repair facility in Kearny, that will give us a central maintenance shop for all of New Jersey Transit's commuter cars and locomotives.

New Jersey Transit will continue to be guided by the principle of providing high quality public transportation to those dependent on mass transit. That principle





was advanced this past year by the legislation you passed to establish a senior citizen and disabled resident transportation program through casino revenue funds.

As New Jersey grows, the challenges of meeting the transportation needs of a dynamic state will grow with it.

In 1985, there are several steps that need to be taken — and which we plan to take — to plan for the future of a changing state.

One of the central areas of rapid economic development is along the Route 1 corridor from New Brunswick to Trenton.

In part because of our efforts in promoting academic-industrial cooperation and attracting new businesses, this is fast becoming New Jersey's "high tech" corridor. As that region develops, it will need a more advanced transportation system to accommodate its growth.

This past year, we continued work on the Route 1 Corridor Study of the short- and long-range transportation needs in the area. This year, we will complete it and move quickly to implementation of that study in order to keep pace with the expansion of research, industry, commerce, and population in the vicinity of Route 1.

We expect to begin construction of Route 1 later this year with a major new interchange at Quakerbridge Road. But we must continue to move ahead with the development of a comprehensive long-range plan for one of New Jersey's most rapidly expanding areas.

Another of New Jersey's great growth areas is in Monmouth and Ocean Counties. I have asked our Department of Transportation and New Jersey Transit to launch a special study of the public transportation needs in this region as well.

We can also follow up on the improved service that came with the re-electrification of the Morris and Essex train line by aggressively pursuing our Plan to give riders of that line direct access to midtown Manhattan. This past year, New Jersey Transit approved the start of engineering work on a connection in the Kearny meadows that would make this possible. I am committed to advancing this work as quickly as possible in the year ahead.

For years, residents of South Jersey have called for a new east-west route to accommodate the flow of traffic between the Delaware Memorial Bridge and the Atlantic City area.

This past year, our Department of



Transportation began a study to look into the feasibility of such a route, and of the feasibility of a southeast extension of Route 55. I am asking the Department to move ahead quickly with this study, which is of such great interest to much of the southern portion of our state. The Department and New Jersey Transit also are working in conjunction with the Atlantic County Improvement Authority and Atlantic City to make the Atlantic City Rail link a reality. This important project will help relieve traffic congestion and spur further development in the city.

In this regard, I would note Senator Gormley's effort to encourage construction of a new convention center in connection with the rail link appears to be bearing fruit. According to the Atlantic County Improvement Authority, construction of the convention center would add \$1 billion to the region's economy.

The Department is also continuing to work with the Port Authority to relieve the growing congestion at the Hudson River crossings and in the Hackensack meadowlands particularly along Route 3. One project which could help to relieve congestion in that area is the West Shore Rail Line. The lack of a good north-south road in eastern Bergen County may well make the

West Shore Line a cost-effective investment. I have asked New Jersey Transit to proceed with dispatch to complete its analysis of this project.

Finally, I have mentioned to you already the great promise which the development of the Hudson River waterfront holds for New Jersey's future. In my view, improved transportation infrastructure and service could be the key to fulfilling this promise. I am asking the Department of Transportation and New Jersey Transit to pay special attention to the needs of this pivotal area of development. And I ask you to cooperate as well in doing everything possible to complete the transformation of the waterfront from an area of great potential to a model of successful urban redevelopment.

These are just some of the key areas in New Jersey's transportation future — a future which took a great leap forward with your help during the past year.

This past year was truly a banner year for transportation in New Jersey.

The challenge is now to make good on the promise established in 1984. If we do, and I firmly believe we can, the benefits for our state will accrue for decades — and beyond.



# HOUSING AND COMMUNITY DEVELOPMENT



**V**irtually no issue has been of greater concern to New Jersey's municipalities — and has the potential for greater impact on them — than the results of the Supreme Court's "Mount Laurel II" decision. The effects of the way this decision is being implemented are far-reaching — and deeply troubling.

The original intent of the Supreme Court's first Mount Laurel decision was a good one: to guarantee fair zoning practices and affordable housing to the state's low- and middle-income residents. But the implications of the actions now being taken in the name of that good intention are so broad that the time has come to sharply question those actions.

The ends, however meritorious, simply don't justify the means being used. The current situation with respect to Mount Laurel is out of control; I believe we must act to restore some semblance of order and reason to the current proceedings. And we must act soon, for to continue to allow the courts to legislate is to invite disaster.

Right now, judges are considering — and in at least one case has already required — the doubling, tripling, and even quadrupling of the populations of certain rural and suburban communities over the next six years. Three judges, one in each region of the state, are essentially in the position of determining how much housing is needed, where it shall go, and whether or

not a given municipality has developed land use ordinances and taken affirmative action measures to address its housing needs and responsibilities.

Moreover, as a means of enforcing the Court's requirement that municipalities provide a "fair share" of low- and moderate-income housing, the courts have turned to the imposition of a "builder's remedy" on those municipalities that are found to have not otherwise met their Mount Laurel obligations. Under the "builder's remedy", the courts will order building permits to be granted to developers of high density units if the developer agrees to provide some low-cost housing as a part of the development. Developers are being allowed to recoup their losses for the low-cost housing by being granted the right to build four units to be sold at market value for every "affordable" unit. In return for the promise to build 20% low cost housing, judges are considering allowing increases in zoning density of up to 1,000 %. One result of the "builders remedy" is a money-making windfall for a handful of private developers; the results for affected municipalities are often less fortunate.

Some municipalities are now faced with so-called "fair share" numbers that will greatly exceed their housing needs, dramatically alter the character of the communities, and far outstrip their ability to provide services. Some municipalities are settling developer-initiated cases out of fear that the courts will impose even higher "fair share" numbers — thus the "share" is determined in some instances without adequate court review.

Finally, the courts are now

inundated with Mount Laurel cases. Many municipalities are faced with multiple lawsuits initiated by developers. The three specially appointed judges have about 100 cases pending before them. If all of these cases, and the many more which can be expected to be filed, were to be decided in the current fashion, the impact would be huge — and very negative.

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*"It should not be up to the courts to determine the housing needs of municipalities across the state."*

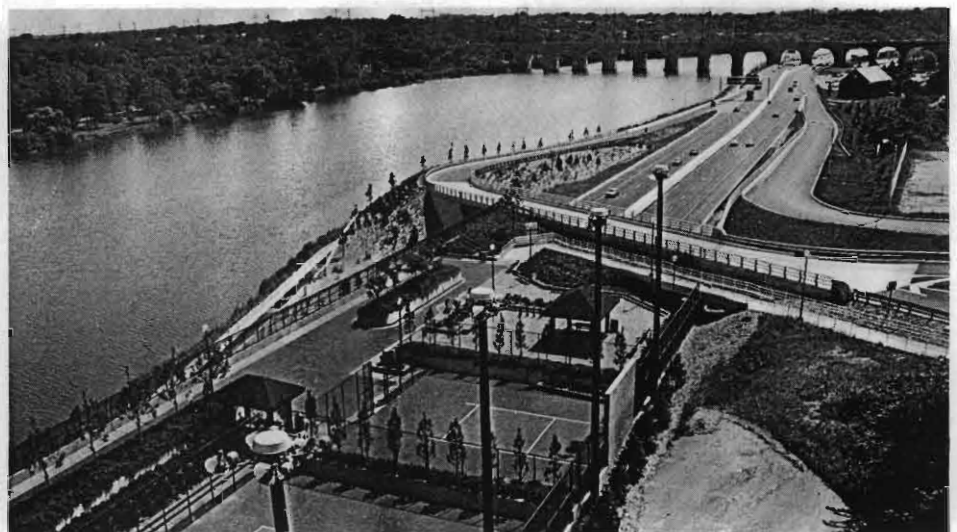
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The current situation with respect to Mount Laurel has become intolerable. And no amount of good intentions can hide this fact.

We simply cannot allow the courts to dictate the population of individual municipalities in the state.

It should not be up to the courts — let alone three individual judges, no matter how capable and conscientious they may be — to determine the housing needs of municipalities across the state. Towns are best able to determine their own housing needs. Each town should be allowed to make its own housing plans, in the context of its own revised Master Plan.

But most important, the issue of affordable housing cannot, and must not, be considered in a vacuum which ignores the wildly dramatic impacts that its solution has on a full range of critical problems facing the state.





According to a recent study by the Center for Urban Policy Research at Rutgers University, under current formulas, the Mount Laurel directives of the courts could yield over 900,000 housing units in the next six years. That is more than twice as many units as have ever been built in the state in a decade — including the high growth years of the 1950's and 1960's. And, according to the study, that far exceeds the state's need for housing — “affordable” or otherwise.

The impact of this kind of development on New Jersey's environment would be major. It is not being considered adequately by the courts. In the name of fair housing, this unprecedented development would run roughshod over our efforts to retain valuable farmland, preserve open space, and achieve clean water.



The scope of development being required by the courts will place a tremendous burden for increased services on property taxpayers in affected municipalities. It is they who will have to bear the cost of the roads, schools, sewers, and other infrastructure needed to accommodate the new development. And New Jersey's local taxpayers already face one of the highest average property tax burdens in the country.

The prospect of the imposition of unreasonable Mount Laurel housing obligations could even have a chilling effect on the state's economic development itself. Already, municipalities have raised the prospect of lawsuits to prevent commercial and industrial development in neighboring municipalities, for fear that such development will increase their own “fair share” obligations. At the very least, the atmosphere created by the large number

of lawsuits now pending could seriously skew the future development of the state.

Lastly, the emphasis being placed by the courts on providing low- and moderate-income housing in growth areas ignores the need to rehabilitate our existing housing stock. In fact, it will direct investment away from our urban centers, which need it most. And it is unlikely that the poorest of the poor will ever be able to afford the new housing that will be constructed in outlying areas, or will have transportation to and from developments in such areas. The end result will be a further deterioration of our inner cities, with existing housing and infrastructure falling into further disrepair even as new housing and infrastructure is being built, in areas far from those who need it most.

In short, the Mount Laurel II decision is resulting in judicial intrusion on an unprecedented scale into areas which should be under the purview of elected officials.

And this intrusion by the courts, if unchecked, will cause major damage to the environment, sharp increases in local property taxes, a forced spreading of suburban sprawl, and a virtual abandonment of efforts to rehabilitate housing in our inner cities. All of this has resulted in part from a failure by the Legislature to take action on the issue of affordable housing.

The time has come to take action.

The experience of the last year has underlined the fact that legislation is necessary to take this issue out of the courts and put it in the hands of elected officials where it belongs.

A year ago, I asked you to address

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*“The Mount Laurel II decision is resulting in judicial intrusion on an unprecedented scale into areas which should be under the purview of elected officials.”*

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the problems Mount Laurel was causing by passing legislation to enable municipalities to develop their own housing element by updating their own master plans and zoning ordinances, and granting this effort a “presumption of validity” if it is approved by some representative agency; to create a planning agency to undertake a revision of the State Development Guide Plan which — despite its inadequacy for the task — is being used anyway by the courts to determine which communities are in the growth area, and thus face a “fair share” obligation; and to create a system whereby transfer development credits could be sold to help subsidize the cost of construction of low- and moderate-income housing for the seller while transferring the credit for such housing to the purchaser.

While I recognize that considerable work has been done on Mount Laurel legislation in the intervening months, and I commend Senator Lipman, Senator Stockman, Senator Gagliano and Senator Lynch for their work on this issue, no bill has yet reached my desk.

The situation is now critical.

I call upon you to make the development of legislation to address this issue one of your top priorities in the coming session.

In the meantime, we must stop the damage that is being done by the current practices of the courts. I call upon you in the strongest terms to enact legislation which would place a moratorium on the imposition of “builders’ remedies” and to enact new legislation which sets us on a more reasonable course.

In my view, we may be able to take the concept of transfer credits which I outlined last year a step further in developing legislation this year. I believe that any town subject to a “fair share” obligation should be allowed to meet its obligation through the renovation of existing housing either within that town or within other communities in the



same region from which that fair share is drawn. It makes no sense to require every town, regardless of its constraints or opportunities, to have to build new housing on vacant land when it can upgrade existing housing at a fraction of the financial and environmental cost.

Towns should be permitted to join a partnership to upgrade housing in nearby urban areas. Some of the rehabilitated housing in depressed areas of the cities could be specifically intended to attract people of higher income and upward mobility. Some of the rehabilitation efforts could also be directed toward converting old and empty factories, warehouses, and schools into the kinds of housing and employment opportunities which will make our cities places to move into — and not out of.

This alternative would help rejuvenate our cities, produce more housing at lower cost, and eliminate the need for the costly duplication of sewers, roads, and other infrastructure that already exists in the cities. And it would be far preferable to the current judicially-mandated formula with its attendant disasters for the state.

In many other respects, 1984 was a very good year for communities throughout the state.

One result of our good fortune was a growing sense of pride in every corner of the state. Perhaps because of our strong economy; perhaps because of our leadership in improving our schools, cutting crime, and cleaning up the environment; or perhaps because New Jersey's diversity and natural beauty seem to be working to our advantage better than ever before; our state pride is awakening. Our own residents — and more and more outsiders — seem to realize, as never before, what a great state this is.

I believe there is more we can do, however, to build that pride. There are steps we can take to polish our image even further; to remind ourselves and our visitors of our strengths; and to encourage those who don't understand our pride to take another look at New Jersey.

It has become almost a cliché that New Jersey is more than just the Turnpike. It is true that too many outsiders know us just from travelling that road. They fail to fully appreciate the beauty that lies beyond.

But I believe we should take another

look at the Turnpike itself. The Turnpike is an amazing road — carrying millions upon millions of passengers every year from one end of the state to another, with a record of safety unmatched by almost any other road in the nation.

I think that we can make the Turnpike even better. For while it is efficient, it is not always pretty. While it projects the image of a bustling state, it does not always present that image in the best light to the uninitiated.

I have said earlier that 1985 is the year of the environment in New Jersey. I believe that in 1985 we should begin to spruce up the environment of the Turnpike as well.

I am asking the New Jersey Turnpike Authority to undertake a beautification program for the Turnpike this coming year. And I encourage all of the businesses and municipalities which line the Turnpike to participate in that program.

For a small investment, I think we can derive major dividends for New Jersey's image. New Jersey is the Garden State. That should be reflected on the state's Turnpike. We can plant trees, plants, and flowers at various points along the Turnpike to remind travellers of our name.







Municipalities can design unique displays to highlight the features which make their town so special.

Businesses can improve the environment of their own sites while improving the look of the Turnpike as well.

I will offer today to present a special award to that municipality and that business along the Turnpike which come up with the most attractive suitable display of trees, plants, or other items to beautify the Turnpike.

The Turnpike is one of New Jersey's showcase roads. Let's showcase it.

At the same time, I think that we can extend that effort to showcase New Jersey's pride to other areas of the state as well. Pride is one of the chief forces that binds New Jersey communities together — and we should encourage it.

This year, I will ask my staff to pull together the recommendations of a representative group of distinguished New Jerseyans to develop a comprehensive program to foster pride in New Jersey.

Among the possibilities I envision are the establishment of a series of New Jersey awards for distinguished service in various

fields which recalls New Jersey pioneers in those fields, the creation of a New Jersey Hall of Fame, an annual competition for the best essay on a New Jersey subject, and even the designation of a Jersey Pride day on which we could bring together all of New Jersey's various communities in a celebration of New Jersey's unique characteristics and accomplishments during the year.

The possibilities are endless. The point is that we have a lot to be proud of, and it may be time for us to better recognize our many achievements and strengths as a state.

Those strengths were reflected in different ways in different communities throughout the state in 1984. The various community development and protection efforts of state government continued to yield benefits last year.

Twelve additional communities received grants under our neighborhood preservation program last fiscal year, bringing the total number of communities to have benefitted from the program to 35.

New Jersey's farming communities enjoyed a banner year. Adequate rainfall and sunshine yielded bumper crops in soybeans, apples, blueberries, cranberries, cabbage,

and other produce. Only the state's peach crop suffered. To compensate their losses, the Federal government, at my request provided disaster assistance to those farmers whose crops were damaged. Our state's farms produced over \$500 million worth of produce.

New Jersey's equine industry continued to grow. The New Jersey Sire Stakes standardbred racing program remained the richest in the country. The more than \$2 million paid out in incentive awards last year helped to attract both standard breds and thoroughbreds to New Jersey.

In the coming year, the New Jersey Horse Park in Upper Freehold is scheduled to open. This new facility will be the home to horse shows and other equestrian events. I am especially encouraged by the Horse Park's special emphasis on riding for the handicapped.

The Housing and Mortgage Finance Agency issued thousands of low-interest rate mortgages for first-time homebuyers, providing the opportunity for families and individuals from all over the state to own their first home.

Some homeowners in the state faced serious damage from floodwaters last spring. Our New Jersey National Guard helped evacuate those families who faced the most serious problems.

The Department of Defense also combined with the Department of Agriculture to distribute surplus agricultural commodities to New Jersey's needy families. Over 2.5 million pounds of commodities were distributed to one-half million New Jerseyans.

With legislation you passed, we provided assistance to New Jersey's homeless to help address their problems. I signed a law for emergency safety improvements and upgrading of shelters last winter, and later in the year we enacted a more expanded Housing Assistance Program for the homeless.

In all, it was a year of accomplishment for the state — in putting our resources to work for people, in helping those who are less fortunate, in creating opportunities for future growth.

I believe that New Jersey's pride can grow. I ask you to join me in helping it do so.



# PUBLIC SAFETY AND CRIMINAL JUSTICE

**A**fter three years of our concerted effort to fight crime in New Jersey, the message is clearly out: it will not be tolerated in this state.

Crime rates are down sharply. For the full year 1983, crime dropped nine percent, the largest decline ever recorded under the Uniform Crime Reporting Index. In the first six months of 1984, crime dropped another eight percent, marking the fourth consecutive year in which the crime rate has declined.

These figures reflect the continuing commitment of this Administration to improving the criminal justice system.

The fact is that criminals are going to jail in this state.

They face tougher sentencing by our judges.

And they know that if they are caught committing a crime, a jail cell will be waiting for them.

Our policy from the beginning has been the right one. Law enforcement will have the necessary tools; our police and judiciary will be supported; and prisons will have the necessary cells. Our approach is working. And it should continue.

police on urban streets. With our enactment this year of consecutive sentencing, we are protecting the public from repeat offenders. And with our passage of legislation allowing victims to testify at parole hearings, victims will now have rights, too.

While I was happy to sign that first step in protecting the rights of crime victims, I believe there is much more we can do to make sure that the voice of the victim is heard.

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*"The fact is that  
criminals are going  
to jail in this state."*

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Too often, that voice is muted.

Crime has a very real human cost. It should be recognized. It should be considered in determining punishment. And it should be mitigated to the greatest extent possible.

Last spring, I proposed a package of bills that constitute a Crime Victims Bill of Rights. This package would require that crime victims and witnesses be notified of all court proceedings in which they are

Assemblymen Shusted, Schubert, Girgenti, Herman, Kern, and Hardwick have all taken a leadership role by introducing bills to address the rights of crime victims. I commend them for their efforts.

It is my hope that these various bills can be combined into a comprehensive Crime Victims' Bill of Rights which would allow us to protect the rights and ease the pain of crime victims. I look forward to your action on such a package this year.

A second needed measure which can stop violent crime is one I have asked you for in the past.

Too often, innocent victims suffer at the hands of a violent, convicted criminal who has remained free on bail, sometimes for months, awaiting trial.

In each of my last two messages to you, I have called for passage of a constitutional amendment and implementing legislation which would permit the denial of bail to criminals who are especially dangerous to society. 17 other states presently allow judges to deny bail if a person's release would pose a danger to society. New Jersey should follow their example.

Assemblymen Kern and Hardwick and Senator Graves have introduced legislation which would make this change. I urge you to pass it.

The clearest proof of our commitment to fighting crime is in the prisons. In the face of a major overcrowding crisis three years ago, we launched the most aggressive program to increase the number of cells in New Jersey's prison system in the state's history.

Since our Administration began that program, we have added 3,200 bedspaces. And more are on the way.

In September of this year, a 419-bed facility will open in Camden. An additional 1,000-bed prison will open in Newark in 1986. And this year we will increase the capacities of existing state facilities by 872 beds.

That is a record we can rightfully be proud of. But to turn our heads now and consider the problem resolved would soon propel us right into another crisis.

We simply must not tolerate the kind of situation that has taken place in other states, where criminals have been returned to the streets for lack of prison space. Our policy must be that no violent criminal will be turned loose on our citizens because of lack of space.



New Jersey's crime rate is declining faster than those of other states in the region and the nation as a whole, but that is not good enough. Crime is *still* too high. And there is more we can do to fight it.

It is clear that we have made major advances in the past few years. Thanks to our successful court defense and public awareness campaign, criminals know that if they use a gun, they will go to jail. With our expansion of the Safe and Clean Neighborhoods program, which was originally created by legislation I sponsored as an Assemblyman, we have put more local

involved, that they be free from intimidation, and that they be advised of the case's disposition.

It would require that the court impose restitution to the victim when the victim has suffered a loss.

It would allow victims to file a statement with the judge prior to sentencing in both adult and juvenile cases.

And it would increase the penalties currently paid to the Violent Crimes Compensation Board, which would use the funds to support a new fund for assistance to victims.



Recent statistics make it clear that we must act again.

In November, I was presented with the latest report from the Ad Hoc Committee on Prison Population Projection. The Committee's findings make it clear that further increases in prison capacity are necessary. A major factor contributing to this need is the sharp reduction in paroles as a result of the stricter sentencing policies mandated by the legislation you have passed.

Although we have added over 3,000 beds to the prison system in the last three years, we have also added 3,500 inmates. And despite a reduction in the backlog, there are still 1,000 state-sentenced inmates in county facilities.

In my view, we cannot countenance a major shortage of prison space — and the results it would have.

It is our duty to address this shortage at once. A supplemental appropriation bill will be introduced this month which will provide \$60 million for the rapid addition of cells to the system. This will enable us to provide 1,000 additional bedspaces at existing state sites. Those cells are urgently needed.

I urge you to act on the bill as quickly as possible.

There is no responsible alternative. We have provided judges with tough minimum sentences and judges are using them. We cannot now return to the laxity of the past.

Continued vigilance is also needed in our battle against drunken driving.

New Jersey's efforts to stop drinking and driving have attracted national attention. President Reagan visited the state last spring to highlight ours as a model effort.

We have enacted an impressive array



of new anti-drunk driving laws that are having the most important result of all: they are saving lives.

The list of steps we have taken is long: raising the drinking age to 21, setting up a

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*"New Jersey now has the toughest laws against drunk driving in the nation."*

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drunk driving enforcement fund to increase patrols by local police, establishing a \$3,000 auto insurance surcharge for those convicted of drunk driving, outlawing open containers of alcoholic beverages in cars, establishing "per se" drunkenness at the level of .10% alcohol in the blood, and establishing

checkpoints by our state and local police to catch drunk drivers.

And the tabulation of our success is telling: for the first time in 20 years, highway fatalities fell under 1,000 in 1983. Drunk driving deaths are down by almost 30% in these last three years.

New Jersey now ranks third in the nation in the ratio of deaths to highway miles traveled. But that is not enough. Our goal is nothing short of ranking number one.

The need to do more was dramatized once again during this recent holiday season. After an encouraging drop in the number of automobile deaths when we initiated our holiday checkpoint program in 1983, auto deaths went back up again during this past Christmas season.

That is a tragedy.

And that is why I am committed to doing more to fight drunk driving. Last month, I was happy to sign a bill sponsored by Assemblyman Kern which would increase the penalties for causing death by auto, establishing a prison term of from three to five years for conviction.

And this year, we are spending more money than ever before to enforce our drunk driving laws on the roads.

Roadblocks and breathalyzers may seem like harsh measures, and they are. But when lives are at stake, we must be harsh. And lives *are* at stake.

New Jersey now has the toughest laws





against drunk driving in the nation. I am committed to making them work.

One group that has *worked*, and worked hard, for the people of the state this past year is our New Jersey State Police. They have assisted thousands of New Jersey motorists; they have enforced our drunk driving and other laws; they have kept our roads safe. This past year, they succeeded in stopping millions of dollars worth of drugs from passing through New Jersey on our highways. After an extensive investigation,

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### *"Victims will now have rights, too."*

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they succeeded in tracking down and arresting one of the men who killed Trooper Philip Lamonaco on Interstate 80 three years ago. And they established a missing persons unit to help address this serious problem.

The State Police, even more than other divisions of state government, need to be provided with modern equipment and to keep pace with the development of new technologies.

Right now, when a Trooper leaves his or her car, he or she loses radio contact with the dispatcher. This is true in all areas of the state except Camden, Atlantic City, and Newark.

Our State Police need their radios, and they need them all the time. Without communications, a Trooper has to think twice before he or she gets out of the car. People who risk their lives daily for us deserve better. Much better.

The State Police also want to establish their own microwave communications system, to provide cheaper, more dependable service than they have now.

Finally, the State Police need a higher degree of security in their radio communications. An undercover narcotics agent who tries to use his radio now can be overheard with equipment commonly for sale in electronics stores. We can do better.

To improve our State Police communications systems, we launched a major program to upgrade their equipment this year. When I present my budget to you later this month, I will ask you to expand this program. The safety of our people could depend on it.

I would like to propose to you one additional piece of legislation which would help our police in their efforts to crack down on crime.

The bill I am referring to concerns the so-called "exclusionary rule", which provides that evidence obtained by police in a technically deficient unlawful search and seizure is not admissible in a trial. The U.S. Supreme Court recently held that, if the search and seizure was undertaken in a reasonable, good faith belief that it was in conformity with the law, evidence which is otherwise admissible should not be excluded. That means that if police were reasonably acting in good faith that their actions were lawful, evidence won't be excluded from Federal court because of some minor technical defect. introduced a concurrent resolution to amend our state constitution to be consistent with this Federal procedure. This will help our law enforcement officials, because fewer cases will be dismissed for purely technical reasons. Moreover, there is no especially good reason to have two different standards applied to the law enforcement officers of our state: one for violations of Federal law, and another for violations of State law.

Although I am always cautious about amending the Constitution, I believe that Assemblyman Hardwick's idea has merit, and I urge you to give it serious consideration.

In the past year, our Department of the Public Advocate has taken a leadership position in applying another innovative approach to problems in our legal system.

In September, the Public Advocate announced the establishment of the nation's first statewide center to resolve public interest disputes as an alternative to costly litigation. The center hopes to help parties

involved in complex issues avoid the need for expensive, time-consuming litigation. It is a voluntary resource for dispute resolution. This Center for Dispute Resolution has attracted national attention. In fact, U.S. Supreme Court Chief Justice Warren Burger recently presented an award to the National Center for Dispute Resolution, in part for its role in setting up this model New Jersey program.

Finally, consonant with our plans for a Clean New Jersey in 1985, I am asking our Department of Corrections to expand the program under which minimum-security inmates pick up litter along our state and interstate highways. This year, inmates picked up litter along Interstate 78 in central New Jersey, along Route 55 in Cumberland and Gloucester Counties, and along Route 47 and the Parkway in Cape May.

It makes sense to broaden this program to a number of other areas where no litter pickup would take place if the inmates do not undertake it.

In addition, last year New Jersey's County Probation Departments, our Department of Environmental Protection, and the Administrative Office of the Courts sponsored a program to put offenders sentenced by judges to community service to work in cleaning up state, county, and municipal parks. I think this is an excellent, and most useful form of community service, and I ask these organizations to expand this program in the year ahead.

These are just two more ways of working for a Clean New Jersey — at little or no expense to the taxpayer.





# HEALTH AND HUMAN RESOURCES

**I**n 1984, New Jerseyans showed that they care.

In November, the voters approved a \$60 million bond issue that will allow us to upgrade the state's hospitals, institutions, and community residences. Those facilities house over 12,000 New Jerseyans who need the state's help: abused children, disabled and elderly veterans, the mentally retarded and mentally ill, and others. We must keep them safe. We must keep their equipment functioning. We must care.

That caring extends into the various state agencies who are charged with serving and protecting New Jersey's most vulnerable citizens: children, the elderly, the handicapped, the needy, the infirm.

Together, our Department of Human Services, Division on Aging in the Department of Community Affairs, and Department of Health serve millions of New Jerseyans. These agencies *do* care, but in the past year, they have taken that caring a step further.

Caring in and of itself is not enough. Instead, we have begun to actively seek to *prevent* the kind of problems that bring expense and tragedy to so many lives, and that tax the resources of governments at every level to redress.

We have changed the focus of our health and human resources efforts from reaction to prevention — prevention of mental illness and mental retardation; of dependency on welfare; of child abuse and family violence; of serious illness; of unnecessary institutionalization; of health care cost growth that strains the ability to pay.

We are never going to defeat the cycle of poverty and despair, of sinking hopes and rising costs, if we only react to problems once they occur.

By pursuing a strategy of preventing them from *ever* occurring, we can save our citizens from unnecessary pain, from the trauma of leaving their family and friends for institutions, and, at the same time, we can save our taxpayers the great cost of belated reaction.

The key to a successful strategy of prevention is full involvement by the community. Those who are in a position to recognize problems, those who are in a position to stop them, and those who must cope with them must be brought together. By sharing their insights, by educating each other, and by learning the steps that can stop



bad situations from getting worse, the entire range of members of the community can succeed in preventing many of the human problems which afflict too many members of our society. They can form a partnership of prevention — through awareness, through education, and through early action.

Successfully involving the community is the pivotal piece of the effort. And it has been a centerpiece of our actions during 1984.

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*"We have changed the focus of our health and human resources efforts from reaction to prevention."*

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This past year, we formed a statewide Human Services Advisory Council in order to involve members of the public in our human services efforts. This Advisory Council includes representatives of a broad range of professions, community groups, and interested parties from around the state who can keep our Department of Human Services in better touch with the public it serves.

The Council's formation reflects a wider effort to organize and involve community groups in a number of key human service areas.

I signed the legislation you passed last year to give more state help to community mental health agencies. As a result, we sharply increased state aid for community services for mental health. We placed a special emphasis on coordinating the work of these community agencies with that of our state hospitals, in order to make sure that people in crisis receive the appropriate level of care.

I also formed a Governor's Council on Mental Retardation to attack the root causes of mental retardation. Of the two hundred causes of mental retardation, more than half are preventable. This Council is charged with investigating those active steps that we can take in such areas as proper nutrition, better education, and improved pre-natal care, to prevent mental retardation. The Council is scheduled to report to me this summer. I look forward to its recommendations, and I am eager to work with you to implement them.

I encourage the Council to help us identify how the work of other



agencies — such as the Department of Education, boards of education around the state, and the Department of Health — can contribute to the effort to prevent mental retardation.

We have also greatly expanded our efforts to provide training and alternative living arrangements to mentally retarded citizens.

We are in the process of opening 13 new adult regional training centers, which will serve 2,600 individuals. This year, we will begin a support work program, under which our Division of Mental Retardation will work with the Association of Retarded Citizens and United Cerebral Palsy to place 100 mentally retarded individuals in competitive employment.

We have greatly expanded our sheltered workshop program. This year we increased the number of mentally retarded adults participating in the program from 178 to over 500. And we are also increasing the number of group homes and skill development and family care homes available for the mentally retarded.

Our increased prevention efforts have helped cut dependence on welfare in the past year. Over 6,000 public assistance recipients found jobs through the work incentive program, which provides child care, job counseling, job training, and job search assistance to those on welfare. By helping to find jobs for those people, the program saved over \$16 million last year. I hope to expand the number of people who find jobs, and increase that savings, in the year ahead.

Another effort to reduce welfare dependence is our national demonstration project to train long-term welfare recipients as homemakers and home-health aides. We have trained over 600 people in this program, and 68 percent of them are off



welfare entirely. Moreover, they provided home-based care to almost 1,400 elderly and disabled citizens — helping to keep them at home and out of nursing homes.

We have also worked to hold down the need for public assistance by undertaking an aggressive effort to enforce child support payments from absent parents. Our program will help us increase child support collections by over \$17 million per year. This year we will phase in a new computer system that can give us a more sophisticated approach to increasing these collections.

New Jersey's efforts to prevent domestic violence have attracted national attention. Last year, the Department of Community Affairs' Division on Women sponsored a series of seminars around the state for law enforcement officials on how to recognize and deal with domestic violence. This coming year, the Division will focus those training efforts on emergency room and other medical personnel.

Statistics indicate that domestic violence is a serious and widespread

problem. Spreading awareness is one key to addressing, and successfully combating it.

The Division's efforts were complemented by the expansion of an active program to prevent family violence through the Department of Human Services. We opened two new domestic violence shelters and increased support for those already in existence. And we increased our child care, counseling, and other family support services.

Awareness spread in the past year as never before on the tragic problem of child abuse.

Child abuse is a tragedy that commands our attention. The extent of the problem is just now coming to light: whereas there were 26,000 reported cases in 1983, there were 45,000 in 1984. Unfortunately, too many cases still go unreported.

The Task Force on Child Abuse and Neglect which I appointed in 1983 met this past year to work to increase awareness of the problem — the first step in combating it. The Task Force includes leaders from business, community programs, schools, hospitals, colleges, law enforcement agencies, and government.

One step that will be launched this year is an early intervention and prevention campaign with the New Jersey Parent Teachers Association (PTA). Our Division on Youth and Family Services will help train the members of New Jersey's 1,400 PTA chapters in ways to identify and help fight child abuse.

We expanded our effort to provide protection to those children that are vulnerable and to their families. And we set up a prosecutor's working group to improve child abuse investigations.







The rapidly increasing awareness of the child abuse problem is taxing our ability to respond adequately. But we must respond. Child abuse will not disappear if neglected; it will get worse. It cannot be ignored. It cannot be tolerated.

This year, we will require a major increase in caseworkers to handle the dramatic increase in the number of child abuse cases. I ask for your support in providing the tools necessary to pursue these cases — and to cope with a problem that cannot simply be stuffed back into the closet.

Our prevention efforts extended into new health-related areas last year.

1984 was the first year of operation for the New Jersey Commission on Cancer Research. It funded 17 research grants with the purpose of discovering the causes of cancer at the molecular and cellular levels. In reaching out to the scientific and academic communities, the Commission is trying to bring New Jersey to the forefront of research in preventing and curing cancer.

I also appointed Commissions to study two diseases which affect thousands of New Jerseyans: the Alzheimer's Disease Study Commission and the Advisory Council on Diabetes. These two Commissions will help identify the extent of these problems in New Jersey, the needs we face in delivering the proper care, and the special problems facing those who are victimized.

The Department of Health issued regulations this year for the Worker and Community Right to Know Act, the nation's

most advanced right to know law. I am committed to ensuring that this landmark effort is not undermined by the weaker standards established by the Federal government. In the year ahead, we will continue our aggressive pursuit of our court case to prevent the Federal standards from pre-empting the greater protection afforded by our state law.

I established an Asbestos Policy Committee last year which reported on ways to minimize the hazard posed by the presence of asbestos in schools and other public buildings. The Policy Committee's recommendations, which I fully support, will give New Jersey the most stringent asbestos protection standards in the nation. I will continue to work with you to provide the resources necessary to carry out the Policy Committee's recommendations. Our leadership in addressing the hazards posed by asbestos fits in well with our campaign to lead the nation in addressing difficult environmental issues. While the asbestos problem continues to cause concern, once again we are far ahead of other states in attacking it.

Perhaps the most important, and nationally significant, innovation that New Jersey has made in the health field is our system for controlling hospital costs.

Under our pioneering system, all public and private insurers pay set rates for different categories of illness, called Diagnosis-Related Groups (DRGs). The system is working, because it gives hospitals

a strong incentive to deliver efficient care. They keep the difference if their costs are below the set DRG payment, but they must absorb additional costs above the DRG payment.

New Jersey's system served as the model for the Federal Medicare reimbursement program, but it is unique because it uses this system for all payers, not just for Medicare. This helps hold costs for all patients down. In other states, as the DRG system reduces reimbursements to hospitals for those patients on Medicare, the hospitals can respond by shifting part of that cost to patients that are covered by private insurers.

This past year, the Federal government was considering terminating the waiver which allowed Medicare to participate in the New Jersey system. On the last day of the year, after a concerted effort on the part of this Administration to convince them of the benefits of the New Jersey system, the Federal government granted a three-year extension of our waiver.

I believe that this decision will benefit everyone. It will keep down the cost of health care, which is such a major contributor to inflation, for *all* New Jerseyans. It will hold down health insurance premiums for employers and individuals. It will save Medicare money and thus help to ensure the solvency of the Medicare Trust Fund — in a way far preferable to the alternative for doing so, which is to cut the benefits of recipients. And, because our system guarantees payment to hospitals even for those who have no health insurance and are too poor to pay, it will help a number of New Jersey hospitals remain fiscally sound.

Our all-payer DRG system has already shown results: our rate of increase in hospital operating expenses has been four to five percent less than the national average. I am happy that we will be able to continue with this innovative program for another three years at least.

Another area in which New Jersey's programs have attracted national attention is child care.

In July, I testified before a Congressional Select Committee to explain our efforts in New Jersey, and to stress the growing importance of child care as more and more women enter the work force.

The fact is that the need for day care is changing dramatically. Years ago, day care was a special and limited need. Today, it is a social and economic necessity.



More than half of our children under six have working mothers. In all, there are almost 45 million children under thirteen with mothers in the workforce.

As the two-income family and households headed by working mothers become the rule rather than the exception in our society, we must act to meet the growing demand for child care.

In my view, the strength of the American family depends on child care. The health and welfare of children depends on child care. And, increasingly, the success of American business depends on child care.

When I took office, we instituted a project to help New Jersey employers in establishing or arranging for child care services for their employees. Many employers do not provide day care because they don't yet realize the benefits that will accrue to the company through such a program. Since that project was initiated, the number of such programs in New Jersey has increased four-fold.

We have also begun a voucher program which allows parents eligible for publicly funded day care to shop around for the day care center that best meets their needs. They can place their children in private centers which are less expensive and closer to home than publicly-funded centers. This program was originally funded with Federal dollars as a demonstration project, but I have supported continuing to fund it with state dollars.

I believe that we should take our leadership in supplying child care one step further.

State government is a major employer in New Jersey. I believe that if we are to encourage private employers to provide child care, we should set an example.

Today, I am directing our Department of Human Services, working with our public employee representatives, to develop a pilot program of providing child care for state employees.

If successful, this program can serve as a model for private employers and for other state agencies. And it signifies a continued willingness by the state to address the needs of its employees. I look forward to the development of such a model program this year.

Just as prevention is the key to solving the problems facing a number of other vulnerable populations, prevention of unnecessary institutionalization is an important part of our strategy for providing needed care to New Jersey's growing senior citizen population.

Institutionalized care is expensive. It should be avoided if it is not necessary. Moreover, home health care allows senior citizens to remain with their friends and loved ones.

At the very least, our health care systems for senior citizens should not have a bias that *favors* institutionalization. Yet in fact they do.



We are expanding this year a program which is designed to combat that bias by allowing the elderly and disabled to receive care in the home without losing Medicaid coverage. Last year, 600 people received care under that program, the Community Care Program. This year, we will be able to double that number. During the past year, we increased the number of counties participating in the Community Care Program from seven to 16. In 1985, we will extend this important program to all 21 counties.

In fact, I would like to see a much greater number of New Jersey's senior citizens be served by this program. Currently, participation in the program is inhibited by strict federal cost-sharing requirements. I have asked the Federal government to ease these requirements, thereby allowing more people to take advantage of this important program. I hope that Washington will act on that request this year.

The people who are served by this Community Care Program would otherwise have to be placed in nursing homes, if beds were available. By allowing them to remain in the home, we have not only avoided the need for these beds, we have saved the state and federal taxpayers \$4.5 million in the process.

Reducing the need for nursing home beds is a key feature, because there is still a long nursing home waiting list in New Jersey despite the addition of over 1,800 new nursing home beds in the last two years. We have cut the nursing home waiting list by almost 700 since its high point three years ago, but more must be done.





*"Years ago, day care was a special and limited need. Today, it is a social and economic necessity."*

This past year, I signed legislation to protect nursing home patients from one of the unfortunate side effects of the shortage of beds. In the past, when patients had to go to a hospital, even for a short stay, they often lost their bed in the nursing home. This new law will require nursing home beds to be held for ten days for patients who must be admitted to a hospital. If the patient returns within ten days, he or she is guaranteed his or her bed.

At the same time, our Departments of Human Services and Health have developed a program to make extra beds available in existing nursing homes for patients who are discharged from government psychiatric hospitals.

This extra bed proposal was one of the recommendations of the Nursing Home Task Force which I appointed in 1983.

I must call another of the Task Force's central recommendations to your immediate attention again today.

Last year, I asked you to enact legislation which would prohibit nursing home operators from requiring Medicaid-eligible patients to sign private pay contracts as a condition of admission. These contracts are often long and expensive, and this practice is clearly discriminatory. It takes advantage of the shortage of nursing home space to victimize the most vulnerable group of senior citizens.

Assemblymen Franks and Otłowski have introduced legislation which would curb this pernicious practice by outlawing private pay contracts and eliminating discriminatory practices against Medicaid patients. I urge you to act on this legislation quickly — before more elderly citizens fall prey to this predatory activity.

I would like to propose one additional way that we could provide increased assistance to senior citizens in New Jersey this year.

When the Federal government determines the level of reimbursement it provides to nursing homes from the Medicaid program, it "screens" nursing home expenditures to determine whether or not they are reasonable. If the costs are deemed to be unreasonable, they are not reimbursed.

Right now, all nursing homes in the state — both public and private — are subject to the same "screens." Generally, however, the private nursing homes are less expensive to operate than are New Jersey's 16 county-operated facilities. The result is that the counties must use property taxes to finance about \$40 million worth of nursing home expenditures which exceed the Medicaid reimbursement level provided under the "screens."

The state has the authority to establish a separate class of government-operated nursing homes, so that these county-operated nursing homes could be rated against each other rather than against private institutions. The result would be that more costs would be reimbursable, and New Jersey could gain an additional \$20 million in Federal Medicaid funds.

In order to implement this process of establishing a separate category of government-operated facilities, or "peer grouping", the state will have to sign an agreement with each of the counties.

I am directing the Commissioner of Human Services to begin to negotiate these agreements with the counties so that New Jersey can win these additional Federal funds. The counties could then put some of these monies to work in needed home health care programs which can be an alternative to nursing homes.

A final group of New Jersey citizens with special needs is our veterans. I believe that the state owes a debt of gratitude to the men and women who have served our country, and in the past year, we took several steps to help pay that debt.

We began construction on a third veterans nursing home in Paramus. 114 beds will be available in this home by the end of the year. Eventually, this facility will provide 300 beds.

We also opened four new offices in cooperation with the Vietnam Veterans Leadership Program, to address the specific needs of New Jersey's Vietnam vets. These offices, in Jersey City, Bricktown, Deptford, and New Brunswick, will provide job training, employment counseling, and job placement to the state's 213,000 Vietnam veterans.

Lastly, we began construction of the state's first veterans cemetery in Burlington County. This cemetery will be complete next winter.

New Jersey — both its people and its government — have always cared for the less fortunate. In 1984, we not only cared, we worked to decrease the numbers of less fortunate. In the year ahead, we will continue to provide service and help to those in need. And we will redouble our efforts to prevent others from joining their ranks.





# MANAGEMENT

**I**mproving the efficiency of state government — “doing more with less” — has been a chief goal of mine since the earliest days of this administration.

In our first year, we pursued this goal by sharply cutting back on the number of state cars and rail passes, and by saving the taxpayers over \$1 million through better management of state-owned housing.

In 1983, we completed the re-organization of each of the 20 Departments of state government based on the management recommendations of the Governor's Management Improvement Plan. In the process, we were able to cut permanently over \$100 million from the historical pattern of growth in state spending.

This past year, we implemented a full range of management and data processing initiatives that, over the long term, will result in dramatically improved service and millions of dollars in savings to New Jersey's taxpayers.

Service is what government is all about.

Our goal throughout the modernization process of state government that we have undertaken has been to provide better, more efficient service to the people of the state.

Improvements in service have come from a number of different Departments.

Since we took office, our Department of Labor has cut the backlog of pending workers' compensation claims by almost 30,000.

Through its enforcement efforts the Department also collected over \$32 million last year in wages from employers on behalf of workers who were paid less than they were entitled to under New Jersey wage laws.

We totally modernized the facilities in our Treasury Department's Division of Pensions, which is responsible for sending out monthly checks to 90,000 New Jersey retirees. In the past the Division had great difficulty getting the checks out on time. Now, the checks come out a day early, and instant, on-line access to information is available.

The management and service improvement lessons learned during the Governor's Management Improvement Plan (GMIP) have been offered to local and county governments as well. Working with local and county elected officials, business and labor leaders, and community leaders, this program developed recommendations for centralizing record keeping, improving

administrative procedures, and consolidating duplicated functions to help cut the cost of county and local governments. This will help hold down local property taxes.

The Board of Public Utilities worked to get over \$1.8 million in refunds for over 48,000 New Jersey utility customers.

The Public Advocate's Division of Citizen Complaints helped hundreds of New Jerseyans obtain over \$350,000 in benefits, refunds, and payments to which they were entitled under the law.



For the first time in memory, the health care premiums paid by the state and local governments and school districts throughout New Jersey will not increase this year, although hospital and medical costs have been one of the leading contributors to inflation. This has been accomplished without changing benefits for all those in the system.

In addition to the zero increase, all local governments who participate in the state plan will take a premium holiday for the month of June. The 250 local governments and 460 school districts who are members will not have to pay the June premium.

Updating the equipment in our Department of State's Commercial Recording Division greatly cut the turnaround time in providing service to businesses, while saving taxpayers' dollars in the process.

Our aim in all of these efforts has been to end the image — and the sometime reality — of state government as a slow-moving, bureaucratic organization.

In short this Administration has brought 20th century management techniques to state government.

With your cooperation, we have engaged in a government-wide effort to bring state-of-the art data processing equipment into our Departments to replace outdated

manual procedures.

In no Department was the need for that equipment more obvious than in the Department of Civil Service.

Until this Administration, Civil Service did not have its own computer. It tracked 65,000 state employees and 120,000 local government employees on paper, when it couldn't borrow a computer from another agency. As a result, Civil Service became synonymous with bureaucratic delay. Now, this vital agency of state government will have instant access to information through its own

on-line computer systems.

The Civil Service Department is now in the process of converting personnel records for county and local governments around the state. That effort will be intensified in the year ahead.

The Department is also at work in automating its personnel records, its testing procedures, and the state salary system.

In October, I signed an executive order which will take our drive for computerization and increased efficiency one step further.

That executive order established an Office of Telecommunications and Information Systems (OTIS) in our Treasury Department.

OTIS will consolidate and coordinate the five separate state computer data centers under one central organization.

OTIS will design and build a hub to connect the five systems through a combination of microwaves, long lines, and satellite communications, so that all equipment in the various state systems — be it minicomputers, microcomputers, remote terminals, or other types of automation devices — will be able to talk to all other equipment.

In addition a statewide electronic mail system will be established to service all state agencies.



This hub will be operational in 1985. Within three years the network will be fully integrated for voice, data, and image transmissions. This unified communications structure will serve the state well. It will ensure the future compatibility of all data processing equipment in the state system. In the end, the result will be improved efficiency, cost control, and better service to the public.

Ultimately, however, the resource which the state must take the greatest care to manage properly is its people.

We have taken several steps to enhance the development of our state employees, to provide them with management training, to improve the conditions they work under, and to make sure that the system under which they are compensated is fair and equitable.

One of the most successful steps we have taken has been the initiation of a comprehensive public management training program for state employees. The Certified Public Manager (CPM) program, which I began in 1983, has enrolled over 3,000 employees — making New Jersey's one of the most extensive certified public management programs in the nation. 300 employees completed the final of six levels of training this year. The last three levels of that training are conducted at Rutgers University.

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*“Service is what government is all about.”*

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The Certified Public Manager program, with its emphasis on practical management techniques, can give our employees valuable skills — and improve the service they provide the state in the process.

Significantly, 35 percent of the participants in the CPM program are women, and 17 percent are members of minority groups.

This is reflective of an overall effort on the part of this Administration to attract and develop women and minority employees in state government. This past year, we redeployed staff in our Civil Service Department to beef up our Division of Equal Employment Opportunity and Affirmative Action. I remain committed to increasing state hiring of women and minorities.

But we must also make every effort to improve conditions for and eliminate discrimination against such employees

once they come to work for the state.

Accordingly, I would like to ask for your support in implementing a major new program to provide affirmative action sensitivity training to state employees in the year ahead. With your cooperation, New Jersey would be the first state in the nation to implement such a program. The type of training I am proposing has already been used, with great success, in private industry. I think the state could benefit from its adaptation to state government.

One of the most important questions in the management of state employees is how they are compensated.

Last year in this message, I stated my intention to develop a system of financial rewards to state employees for exceptional work performance.

In the past year, after extensive review of current literature from around the country, and meetings with public employee representatives and the personnel, training, and affirmative action communities, our Department of Civil Service has developed a Performance Assessment Review system that, when implemented in all state agencies, will be used as part of an Employee Award System to identify and reward excellent performance. This program will begin this year.

A central — and vitally important — challenge in assessing the compensation of state employees is to make sure that it is fair and equitable.

The Administration has always been firmly committed to the concept of equal pay for equal work; and we have strictly enforced that policy with respect to people who hold similar or identical jobs.

The more difficult challenge is to apply this concept to those who hold markedly different jobs that are nevertheless of equal value to the state. I am committed to meeting this challenge as well — and in the past year we have made a great deal of progress in addressing it.

As you know, I signed an executive order last December which set up a Task Force on Compensation Equity to make sure that there is an equitable relationship between the value of work performed and the rate of compensation.

This past year, under the leadership of Senator Lipman, you passed legislation establishing a broader task force, which is merged with that established under my executive order.

The task force is charged with reviewing various titles in state government

which are dominated by more than 70 percent males or 70 percent females to make sure that they are evaluated and compensated equitably. The task force will then recommend any necessary changes in our salary review mechanisms.

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*“The need to reform our archaic Civil Service system has long been recognized by leaders in both parties. It is not a partisan issue; it is a good government issue.”*

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This task force is facing a vital question — one which has posed great difficulty to states which have been less aggressive than New Jersey in addressing it. I look forward to working with the task force to make sure that all employees are compensated equitably. We will not stand for discrimination of any kind in this Administration. This task force can help us identify those places that it may exist — and help us eliminate it.

There is one major management initiative that you have left unaddressed during this past year. It has not been addressed, despite the pleas of successive Governors of both parties, since 1908.

That long overdue initiative is Civil Service reform.

The need to reform our archaic Civil Service system has long been recognized by leaders in both parties. It is not a partisan issue; it is a good government issue.

It is also a relatively simple issue: government could be better managed, more efficient, and more fair to its employees if Civil Service reform legislation were to be enacted.

I recognize that it will take some political courage to act on this matter this year — I call upon you to summon it.

Despite our extensive efforts to improve the management of state government, it will never be managed in a truly efficient fashion until these outdated laws are changed. Further meaningful improvements depend on the passage of meaningful reforms. Like my predecessors, I ask you to end your record of inaction on this issue. It does not serve the state well. Reform of the system would.



# INSURANCE

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1984 was a landmark year for New Jersey's 5.2 million licensed drivers.

As a result of the auto insurance reform legislation which we worked together to pass in 1983, auto insurance policyholders had the option to achieve savings of approximately 25 percent on their premiums. This relief had been sought for a long time, and as the year progressed, increasing numbers of New Jerseyans began to take advantage of their cost-saving options.

By the end of the year, hundreds of thousands of New Jerseyans — an estimated 10% of our motorists — had opted for premium reductions. We can expect that number to increase in 1985, the first full year in which the options will be available.

The reforms we implemented offer motorists increased deductibles and co-payment options, as well as the option of limiting their right to sue through a more realistic suit threshold, as ways to reduce their premiums.

It is important to remember that while New Jerseyans now have the ability to purchase less coverage as a result of the new options and deductibles, they still retain the most comprehensive auto insurance in the nation.

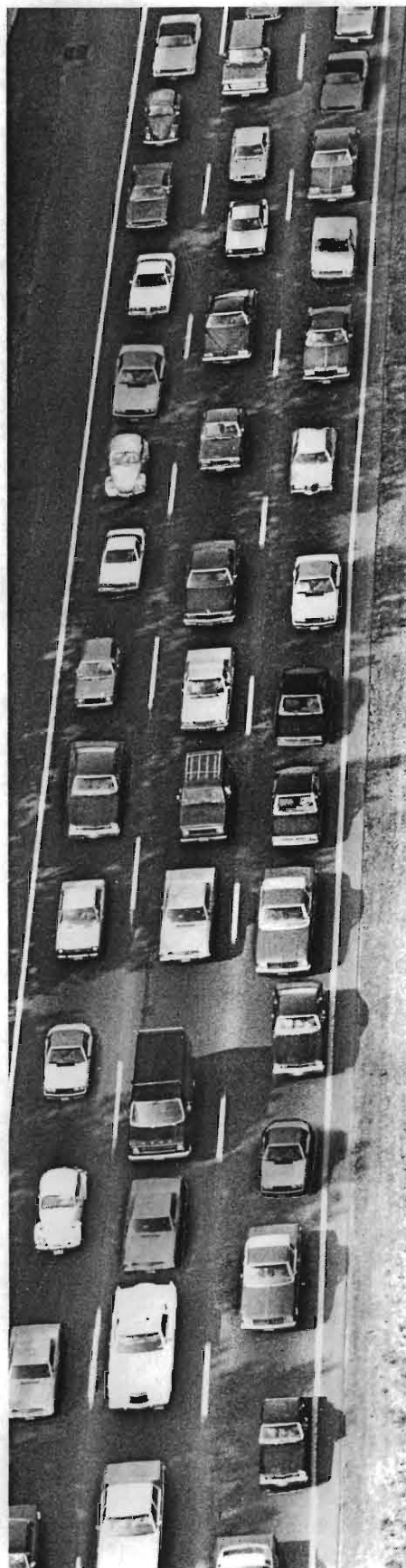
Your actions were designed to provide a more sound structure to the automobile insurance system and to provide some long overdue help to New Jersey consumers, and I congratulate you for them. They are having a real effect on automobile insurance rates in New Jersey.

A key feature of our overall approach to reforming automobile insurance and holding down rates was to end the system under which good drivers were paying to subsidize bad drivers. Through the creation of a system of surcharges on bad drivers, the state's worst drivers will be paying more of their true costs.

I believe that this new system will work, and should be given a chance to do so.

Recently, the Joint Underwriting Association, which we created to provide insurance to drivers who are unable to purchase it on the open market, indicated that it might ask for the imposition of a \$69 surcharge on all New Jersey drivers. I oppose this surcharge.

It is premature to grant it before the JUA has enough operational experience behind it to determine whether it will in



fact need the money.

I believe that one way to reduce costs facing the JUA would be to improve the regulatory system we set up last year by continuing the focus on bad drivers, and by fine tuning the new system. Assemblyman Michael Adubato has sponsored a bill to do this, and I urge your support for its passage.

Moreover, we are working to develop stricter regulations for *all* companies requesting auto insurance rate increases in New Jersey. In the future, companies will be required to provide more extensive data — data which is more relevant to New Jersey specifically — when requesting rate increases.

Recently we rejected a 9.9 % increase requested by the Insurance Services Office. That increase would have affected 80 % of all New Jersey drivers. The rejection made 1984 the first year in which rates did not increase for ISO-member companies since 1973.

But that encouraging sign does not mean that we can forget about the potential cost-saving measures yet to be enacted.

I have called in the past for the establishment of a verbal threshold for so-called "pain and suffering" suits which would be based on the degree of serious injury suffered in an accident.

In the past few months, the concept of a verbal threshold was once again endorsed by *Consumer's Digest*. And it has met with excellent results in the state of Michigan.

This reform would provide further help in our efforts to hold down auto insurance rates for the consumer. You have before you legislation which would institute such a verbal threshold; I urge you to enact it this year.

As I have mentioned earlier in this message, medical costs continue to increase at an alarming rate that demands our attention. Medical costs for injuries resulting from automobile accidents are no different. In the coming year, we must work together to devise a system to contain these costs.

One approach that has been suggested is the establishment of a fee schedule which fixes the amount that physicians may charge for services rendered for the most common forms of injuries that result from automobile accidents. I believe this approach merits your attention. It, too, could provide savings to many consumers.

At the same time, I pledge to continue working with our Insurance Department in a variety of other ways to address the forces that drive auto insurance rates up.



We are adopting a rating system for collision and comprehensive insurance which pegs premiums to repair costs for specific car models. In this system, which has already been adopted by 47 other states, cars that are more expensive to repair will cost more to insure; those that are less expensive to repair will cost less to insure.

We are also seeking to reduce both the incidence and the cost of medical malpractice in New Jersey. This past year, we appointed a special panel of insurers, attorneys, and physicians to recommend steps that we can take which will stop malpractice from unnecessarily driving rates up.

Finally, the mandatory seatbelt law which you passed and I signed last year will help hold down rates by cutting down on the number of deaths and serious injuries that result from car accidents. I understand the legitimate civil liberties concerns of some citizens in the state about this new law —

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*“The reforms we implemented...are having a real effect on automobile insurance rates in New Jersey.”*

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but the evidence is clear. Seat belts save lives. And saving lives *must* be our most important priority.

Over the last three years, we have also worked together to appropriate monies for the computerization of the Insurance Department. New Jersey's efforts in this area have been singled out by the National Association of Insurance Commissioners. As work proceeds toward that end, we can be assured that the assets of policyholders will be better protected than they have been under the previous system.

The Insurance Department has

recently undergone a reorganization with two goals in mind: improving the professionalism of the Department, and making the Department more responsive to the insurance consumers of the state.

In the past year, we have taken a number of other steps designed to benefit New Jersey insurance policyholders. For example, you passed and I signed a new law which made New Jersey the first state in the nation to create a Surplus Lines Guarantee Fund to protect surplus lines policyholders in the event their insurance companies go bankrupt, which recently happened when Ambassador Insurance Company of Vermont was declared insolvent. With that fund, we are trying to protect New Jersey policyholders with unpaid claims which total many millions of dollars.

In short, 1984 was a year of accomplishment and long-sought rate relief in the field of insurance. We should see more results in 1985.





# BANKING

**D**uring 1984, our Department of Banking continued to promote the development of New Jersey as a financial center. A healthy, competitive financial industry is essential to the continued economic and community development of our state.

In this period of change and experimentation in the delivery of financial services, the Administration, through the Department of Banking, is committed to preserving a viable dual banking system.

This commitment encourages fair competition, fosters industrial development, spurs economic growth, and ensures the consumers of New Jersey that essential financial services are not only available, but are sound.

The past two years have been excellent years for the banking industry in New Jersey.

Consumers were well served by an active banking community and a Banking Department committed to protecting consumer interests.

I have directed the Department of Banking to put an emphasis on service to New Jersey citizens. In the past year, more than \$120,000 was returned to over 2,100 New Jersey consumers due to the direct problem-solving actions of the Department.

Savings banks and savings and loan associations are returning to fiscal health, after some difficult years. Interest rates are lower now, which is good news for institutions and consumers alike.

Commercial banks began to intensify their loan activity in late 1983, and the net income ratios of commercial banks in New Jersey registered their highest average level in more than a decade.

The financial community not only is a key to a growth economy, it, in turn, benefits

from that growth.

The banking industry in New Jersey reflected the strong economic progress of the state as a whole in 1984. Two full service community banks received charters. Five banks gained charters for a variety of other purposes. The opening of seven new banks in the state is one more clear signal of the upswing in New Jersey's economy, and it represents one of the heaviest periods of such activity in New Jersey's history.

The Department of Banking has worked hard to achieve the proper balance in facilitating industry growth while promoting banking services to benefit the consumer.

With your cooperation, the Credit Union Act of 1984 was enacted.

The Act is a revision of an out-moded law.

Over 800,000 New Jerseyans, who are credit union members, will benefit from this legislation. These credit unions provide service to thousands of working New Jerseyans who wish to establish credit and open savings and checking accounts, but who cannot meet the requirements of commercial banks.

The Act establishes competitive parity between state-chartered credit unions and federal ones. State chartered credit unions are given greater flexibility to provide important services to their members.

There are drastic changes afoot in the world of banking and financial services — both in New Jersey and in the nation. What types of financial services are delivered and what types of institutions deliver them are open questions.

While we cannot be backward, we must be careful to make sure that New Jersey retains a stable dual banking system that continues to provide New Jersey consumers



and businesses with the services they want and need.

In the coming year, we will face some difficult banking issues: deregulation, interstate banking, non-bank banks and the prospect of amendments to the Secondary Mortgage Loan Act.

I ask you to join me in ensuring that New Jersey's consumers and local industries are protected as we ford the rivers of change.

We cannot and should not impede the changes now transforming the industry; the industry is going through a natural evolution in a changing economy and a changing world. But we can tailor the changes in such a way as to derive the maximum possible benefit — and protection — for New Jersey consumers and institutions.

New Jersey needs, and its consumers deserve, a strong and stable dual banking system. 1985 demands continued attention to the safety and soundness of our financial institutions.

Our success in coping with change can help New Jersey's economic growth, but the mere scope of the changes requires ongoing vigilance and continued attention.

I look forward to working with you in putting this time of change to work for New Jersey.





# FEDERAL RELATIONS



**T**he past year has been a challenging one in our relations with the Federal government.

The imperative of reducing the budget deficit has led Congress and the Administration to consider cuts in a number of programs that are vital to New Jersey.

We suffered from Congressional inaction on several key issues that have a great impact on the state.

And we had to fight to retain various grants and waivers from the Federal government that have allowed New Jersey to succeed to the great extent that it has in creating jobs and serving as a model for other states.

But we have succeeded in weathering

these sometimes difficult times. And we have emerged with several key gains that will help make our state a better place.

In December, the Department of the Army agreed to an extension of our lease on prison space at Fort Dix. This extension will provide us with needed prison beds while we complete construction of much needed correctional facilities.

In the past year, we were able to fight off an unfortunate challenge from our neighbors in New York to the largest Urban Development Action Grant in history. The \$40 million grant, which was signed last summer, will be used for a major development on the Hudson River waterfront in Jersey City.

We were able to win a Federal grant

for the extension of the electrification of the North Jersey Coast line from Matawan to Long Branch.

We were able to continue to increase Federal grant support for our major bridge rehabilitation program.

We continued our impressive record of winning more Superfund grants for toxic waste cleanup than any other state in the nation.

We succeeded in convincing the Environmental Protection Agency to propose moving the site for the ocean dumping of sewage sludge from 12 miles off Sandy Hook to 106 miles out.

And, on the last day of the year, we overcame the Federal government's initial opposition and won an extension of the



waiver under which our innovative all-payer Diagnosis Related Group (DRG) hospital cost containment system operates.

We are fortunate to have an active and concerned Congressional delegation whose first priority is the people of New Jersey. They have assisted this Administration greatly in our dealings with the Federal government. They have fought cuts that would hurt New Jersey, worked to secure funding for needed programs, and kept a watchful eye on the actions of various Federal agencies to make sure that New Jersey's interests have been protected. I thank them for another year of cooperation.

The delegation will benefit greatly from the addition of two of your former colleagues to their ranks. Dean Gallo and Jim Saxton have served the state ably and with conviction here in Trenton; I am confident that they will do the same in their new role as Congressmen.

We will need their help. Proposals currently being discussed for inclusion in the fiscal year 1986 budget are frightening indeed. Cuts in Medicaid, a freeze in Superfund appropriations, and the elimination of mass transit operating assistance, Urban Development Action Grants and general revenue sharing (which is proposed for fiscal year 1987), and sewer treatment grants, would have a dramatic — and disproportionately great — impact on New Jersey. The elimination of Federal tax deductibility for state and local taxes being proposed by the U.S. Department of the Treasury would also affect middle-income taxpayers in New Jersey more than those in many other states.

I fully recognize the need to sharply reduce the federal budget deficit. In fact, I have spoken out repeatedly to call

upon Congress and the Administration in Washington to slash that deficit before high interest rates choke off the economic recovery that has benefited New Jersey so handsomely.

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*"I firmly believe that any  
deficit reduction  
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Its burden must be  
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throughout the states."*

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But I firmly believe that any deficit reduction program must be fair. Its burden must be spread evenly throughout the states. The effort must be a national, rather than a regional, one.

I will work with our Congressional delegation in the year ahead to make sure that New Jersey does take up its share of the burden — its fair share. And I hope you will join with me in communicating to our representatives and the Federal Administration which programs are critically important to New Jersey.

There are elements of our relationship with the Federal government that will continue to challenge us in 1985.

Our suit to prevent a weaker Federal standard from pre-empting our strong New Jersey Right To Know law is still unresolved.

New Jersey's highway construction program could be slowed down by a continued failure of Congress to pass the necessary Interstate Cost Estimate legislation.

The state's lakes and forests will suffer continued damage if Congress does not act to limit acid rain by curbing sulfur dioxide emissions.

And our program for a clean New Jersey will be hampered greatly unless Congress and the Administration act — and act soon — to reauthorize and expand the Superfund program.

I am confident that, with the help of our talented Congressional delegation, we can meet those challenges. We can resolve any differences. And we can build a Federal-state partnership that puts the resources available at both levels to the best use.

In the coming year, I will be playing a major role in national organizations from which I can learn valuable lessons from the experience of other states.

I will continue as Chairman of the National Governors Association's Human Resources Committee. This Committee is a major voice on health and human services policy. It has already served us well as a vehicle from which to communicate the concerns of New Jersey and all states to the Federal government. I plan to be equally vocal in the year ahead.

In July, as I have mentioned, I will assume the chairmanship of the Education Commission of the States. ECS is emerging as a major force in education reform. It is fitting that New Jersey should lead this organization, as New Jersey has helped lead in that reform movement. I look forward to the opportunity to communicate our educational successes and perhaps learn how to address our educational shortcomings in this new role.

Clearly, 1985 will be another year of challenge in our dealings with Washington. I am confident it will also be a year of successes.



# CONCLUSION



**T**hese are great times to be a New Jerseyan.

Our spirits in this state are high; and justifiably so.

Our accomplishments in these last few years are measurable; and most impressive.

Our future looks bright; and it is getting brighter.

We have every reason to be proud of our record in 1984. It was one of the best economic years in our history. It was a year in which the rest of the country began to sit up and take notice of our achievement and our vitality. It was a year in which one could almost feel New Jersey's pride pulling us all together.

We can leave 1984 with a bounce in our step, and with a knowing smile on our faces that says things have gotten better in the past year.

New Jersey, a pugnacious and bustling state, a vast collection of diverse peoples and changing landscapes, a growing center of achievement, showed its true measure in 1984.

We now stand ready — eager — for the next challenge.

New Jersey, in some ways, is the quiet state that could. We who live here know that. Others are learning — sometimes slowly, but most surely.

The knowledge that we *can* should carry us into 1985.

We *can* attract more jobs in the years ahead.

We *can* create a Clean New Jersey.

We *can* teach our children things that we could only hope to know.

We *can* build a better state.

In large measure, our ability to achieve great things is in our hands.

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*“These are great times to be a New Jerseyan.”*

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We have to be prepared to dream great dreams: the building of the cleanest state in the nation, schools filled with new ideas that are models for our sister states, a renaissance in our inner cities that fills them with life, and hope, and promise.

And we must be prepared to act on those dreams — by making the investments that will yield a Clean New Jersey, better

schools, and stronger cities in the years ahead.

Above all, we must work together. We are united in our love for New Jersey, our desire to see it grow, our common interest in protecting, serving, and enhancing this remarkable state.

That interest is compelling — far more compelling than any partisan differences which may separate us, any smaller questions on which we are divided.

That is the interest we must serve in 1985. It is the interest of the public which has placed its trust in us.

New Jersey's people are a wellspring of ideas and resourcefulness. They are a constant source of energy — a constantly churning and growing mass which propels us forward.

In the year ahead, we should place more trust in our people. We should make a greater effort to listen to their ideas, to respect their own wisdom in knowing what is best for themselves.

I believe that our people should have the right of initiative and referendum; an avenue of recourse for change when we have failed to act adequately on their behalf.



The right of the governed to decide their own fate is the foundation of our democracy — a foundation that would be strengthened if we expanded this right to allow the public to petition to place matters directly before the voters, as has been suggested in legislation sponsored by Assemblyman Zimmer.

To enact this reform would be to place greater faith in the best source of wisdom we have: the people of this state.

We should honor their desire for relief from the sometimes heavy burdens of government. Now that times are good, they should share in the prosperity. At least some of the money they have given us in bleaker times should be returned as a matter of trust.

Most of all, the people of this state are a source of tremendous pride. In so many different ways, they appreciate the special strengths of New Jersey. They understand its hidden pleasures. They revel in its diversity.

That pride manifests itself in

thousands of different ways every day — from small efforts to improve the community, to brilliant new inventions, they improve life in this state every day.

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*“Our challenge is to  
provide a government  
that truly serves.”*

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New Jersey's people *care* about their state. They are willing to accept the responsibility for making it better, for improving its image, for helping its less fortunate.

I firmly believe that they are willing to make the major investments we are asking of them — in a cleaner environment, in a better system of roads and mass transit, in a system of state colleges that can be among the best in the nation, in a safer, more productive state.

At the same time, they expect us to invest wisely, to manage the resources of

government well, to protect their interests.

Our challenge is to provide a government that truly *serves*.

It is to help them reach for the greatness that lies within our grasp.

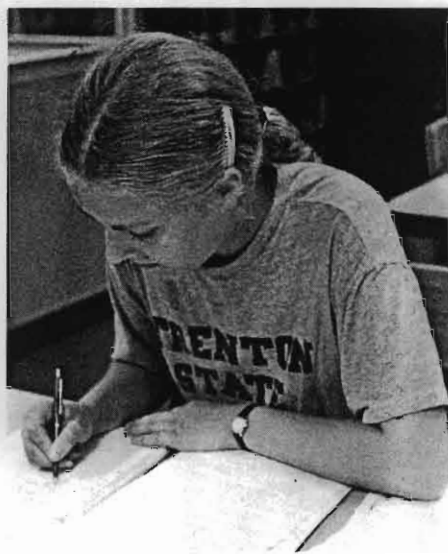
It is to take their dreams — whether they be of a flourishing waterfront restored to greatness, of a State University that excites their pride, or of neighborhoods free of crime and homes free of despair — and make them realities.

In this year of the environment in New Jersey, I ask you to join me in thinking of the many things that contribute to New Jersey's overall environment.

And as you think of sandy beaches and scenic mountains, of schools and houses and factories, of city centers and village squares, I urge you to think above all about people.

For New Jersey *is* its people.

It is to them we can attribute our many successes in the year just passed. It is to them we owe our best effort in the year ahead.





# CABINET

*(Seated, left to right):* Joseph Rodriguez — *Public Advocate*; Barbara Curran — *Pres., Board of Public Utilities*; Jane Burgio — *Secretary of State*; Francis Gerard — *Chief of Staff, Dept. of Defense*.

*(Standing front row, left to right):* J. Richard Goldstein — *Comm. of Health*; Mary Parrell — *Comm. of Banking*; Arthur Brown — *Comm. of Agriculture*; Irwin Kimmelman — *Attorney General*; W. Cary Edwards — *Chief Counsel*; Thomas Kean — *Governor*; Gregory Stevens — *Chief of Staff*; Gary Stein — *Director of Policy and Planning*; Robert Hughey — *Comm. of Environmental Protection*; Alie Randlett — *Director, Governor's Washington Office*; Richard Standiford — *Director, Office of Management and Budget*.

*(Standing back row, left to right):* Eugene McCaffrey — *Comm. of Civil Service*; Charles Serraino — *Comm. of Labor*; George Albanese — *Comm. of Human Services*; William Fauver — *Comm. of Corrections*; Michael Horn — *State Treasurer*; Saul Cooperman — *Comm. of Education*; Borden Putnam — *Comm. of Commerce and Economic Development*; Leonard Coleman — *Comm. of Energy*.

*(Missing from photo):* Kenneth Merin — *Comm. of Insurance*; John Sheridan — *Comm. of Transportation*; John Renna — *Comm. of Community Affairs*.





