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In Case You Missed It - Governor Chris Christie: GOP Darling

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Governor Chris Christie: GOP Darling

New Jersey Governor Christie is a rising national star. By taking on his state's bloated budget, he embodies the New Austerity. Will voters hate him for it?

By Peter Coy

Bloomberg Businessweek

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When he moved into the New Jersey governor's office on Jan. 19, Christie faced a budget crisis of almost Greek proportions: Projected revenues for the coming fiscal year were nearly \$11 billion short of what it would cost to fully fund every authorized program. Since then he has impounded more than \$2 billion in unspent funds, fought off legislators' attempts to raise taxes, pushed through a budget that slashes spending, pressured schoolteachers to pay for their health-care benefits, and taken a first crack at fixing one of the nation's most underfunded pension systems. Christie says he's been contacted for advice by GOP gubernatorial candidates Meg Whitman of California, Tom Corbett of Pennsylvania, Bill Brady of Illinois, Chris Dudley of Oregon, Robert Ehrlich of Maryland, and Charlie Baker of Massachusetts. "People say to me, 'Can you really get it done in Massachusetts given that the overwhelming majority of the legislature is Democratic?'" says Baker. "I say, 'Drive down the Turnpike. Eventually you'll get there. That's exactly what's happening in New Jersey.'"

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"There are so many political minefields in New Jersey," Christie said a day earlier in his high-ceilinged office in the State House. "If you spend your whole time looking down for mines, you can't see the future." Christie says he's determined to govern as if he didn't care about winning a second term. (Reelection is something he claims not to have thought about.)

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On the Budget Deficit Front Line

Where Christie is out in front of his political peers is in the realization that the status quo is a dead end. Talking about austerity and then trimming around the edges won't do the trick. Like Washington, states as a group are on an unsustainable path in which rising spending on retirement and health-care benefits will exceed the revenue available from taxation.

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On Aug. 18, without admitting wrongdoing, Christie's administration settled claims that between 2001 and 2007, the state misled investors in \$26 billion of municipal bonds by masking the chronic underfunding of its two biggest pension plans. Christie says the settlement shows why the pension changes he seeks are essential. "In that respect it's a good thing." In his office—where he is surrounded by baseball memorabilia, a blue-and-white Fender guitar signed by Bruce Springsteen, and a blender he uses to mix weight-loss shakes—the governor laid out a long-term plan for shrinking government, lowering taxes, fixing pensions, and making New Jersey a friendlier place for business. He dismisses suggestions that a misstep could be dangerous. "Every day in this job there is a problem that if you don't handle it correctly could prove to be your undoing," he says. "If I step on a mine, I step on one." The greatest danger, he says, is in underestimating the scope of the crisis. "With all this national attention, [the risk] is somehow people thinking that we've fixed the problem. We haven't. But we've made progress toward fixing the problem."

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In 2009, Christie ran for governor against the one-term Democratic incumbent, Jon Corzine, a former senator from New Jersey and ex-CEO of Goldman Sachs (GS). Pounding home the message that Corzine was ineffectual, Christie won with 48.5 percent of the vote, vs. about 45 percent for Corzine and 6 percent for independent Chris Daggett. In March he proposed a \$29 billion budget for the fiscal year beginning July 1 that imposed no new taxes, cut aid to municipalities and schools, and skipped a \$3 billion pension contribution. Corzine's last budget was just over \$32 billion.

What earned Christie national fame wasn't the magnitude of the cuts but the way in which he picked a fight with public-employee unions. When he announced this spring that he was skipping the pension fund contribution, he made it a

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symbolic act, too, vowing not to put more money into the system until the legislature agreed to reforms necessary for long-term solvency. Christie also pressured teachers, who don't work for him, to agree to contribute 1.5 percent of their pay toward their health-care benefits. He warned them that if they didn't go along, he would campaign against passage of school budgets in their districts. Most teachers refused to contribute, Christie did as he had promised, and voters rejected a record 59 percent of school budgets. At the end of June, the Democratic-controlled state senate and assembly passed Christie's budget almost unchanged from his proposal.

Property-Tax Cap

Christie's most astute move was to curtail future local spending by cramping the primary means of funding it. After seeking a strict limit in the state constitution on increases in local property taxes, he settled for a law that held property tax hikes to 2 percent annually with few exceptions. The cap gives mayors and councils an incentive to support changes in civil-service rules sought by Christie that make it easier to lay off or cut employee pay.

The sequencing was masterful: Christie says he probably would not have the mayors' support for those cost-saving measures if he hadn't first gotten lawmakers to pass his cap. Next up is pension reform. "I'm working on all of these things at once because they're all interconnected," Christie says. "I don't see how any responsible governor has a choice anymore not to take on the public-sector unions." Says Tom Corbett, Pennsylvania Attorney General and Republican nominee for governor in this November's election: "He certainly sets an example I think other governors can follow." Even David Paterson, the Democratic governor of New York, has praised New Jersey's property-tax cap.

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Verizon New Jersey President Dennis M. Bone, interim chairman of a new public-private partnership called Choose New Jersey, says Christie has energized businesses by working to hold down their taxes, streamline regulation, and keep jobs in the state. Christie says when he heard that Honeywell International (HON) was about to move its 1,200-employee headquarters from Morris Township to Pennsylvania, he told CEO David M. Cote, "Give me a week." Christie offered tax credits that persuaded Honeywell to stay—and expand.

Confrontational Style

The friendly face Christie shows to business isn't in evidence in his confrontations with the New Jersey Education Assn. and other public-employee unions. His method is divide and conquer. On pensions he formed an alliance with Democrat Stephen M. Sweeney, the state senate president and treasurer of an Ironworkers union local in South Jersey. (It was Sweeney who began pushing pension reform in 2006.) Christie has also exploited regional divisions between Democrats in the legislature.

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The senate and assembly haven't fought back hard because their standing with the public is lower than his. They might discover some backbone if the people of New Jersey—like, say, the people of Greece—start chafing under austerity.

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In Newark, Democratic Mayor Cory Booker closed city pools in August and put nonemergency workers on 19 days of furlough. "We're going to stop buying everything from toilet paper to printer paper," Booker said. "Call me Mr. Scrooge, if you want, but there'll be no Christmas decorations around the city."

No Christmas decorations! That's just the type of thing that has wrecked the careers of previous governors who went to Trenton with the best of intentions. Then again, New Jersey's financial situation is more dire now, and people know it. The time may be right for Jersey's new action hero to kick down a few doors.

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View entire article here.

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