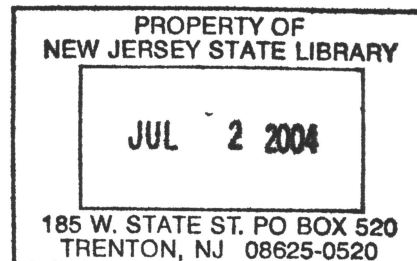




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185 W. STATE ST. PO BOX 520
TRENTON, NJ 08625-0520**Governor James E. McGreevey
State of the Budget Address
Tuesday, February 24, 2004****PRINT OUT**

Mr. President ...

Mr. Speaker ...

Distinguished members of the Legislature ...

honored guests ...

fellow New Jerseyans ...

It has been a long time coming ... Painful decisions and tough choices ... Late nights and fights against special interests that were accustomed to having their way.

But today, we know our choices and decisions have put New Jersey on the right track.

Our children's reading and math scores are among the best in the nation. We have created some of the highest standards for new teachers anywhere.

We have stood up to the developers with the nation's toughest standards to protect our drinking water and our open space.

And today, our tax system is fairer ... unemployment is down and job creation is up ... our economy is the envy of the northeast ... and after years of moving in the wrong direction, New Jersey is on the right track.

Together, under the skillful hand of Treasurer McCormac ...

the leadership of Speaker Sires and Senate President Codey ...

Majority Leaders Kenny and Roberts ...

Budget Chairmen Bryant and Greenwald ... and Appropriations Chairwoman Watson-Coleman, we reigned in government spending ... and balanced the budget without an increase in the sales or income tax.

I know it hasn't been easy.

At every turn, the special interests opposed us, but unlike the government in Washington, we stood our ground -- we made the tough choices, and we fought the tough fights.

We offered the people of New Jersey straight talk and we never promised a free ride nor suggested that everyone could have everything.

We asked sacrifice from every resident of New Jersey ... every part of our state ... and every level of government.

These shared sacrifices have yielded better times and brighter days and an economy whose recovery endorses our actions.

Today, New Jersey is moving in the right direction. And we didn't get here by accident.

New Jersey is moving in the right direction because our decisions have been guided by clear principles that have made us stronger ... that have made us better ... that have made us a national leader, with other states following our example.

Today's budget is shaped by the same principles that have governed our decisions in each of the budgets I have presented to this legislature.

Our first priority has been protecting the hard working taxpayers of New Jersey, and this budget is once again balanced without raising sales or income taxes.

Next, we have continued to make investments where they would create the greatest opportunity:
in our economy -- to create the jobs of today ... in record investments in education -- to create the workforce of tomorrow.

We have also lived up to our commitment to protect the most vulnerable among us -- from children in foster care, the developmentally disabled, to seniors who need affordable prescription drugs.

Lastly, we have insisted that state government live within its means and we have refused to spend money that we don't have.

And those choices have put New Jersey on the right track. From the day I took office we began restoring fairness to a tax system that had been allowed to benefit the few at the expense of the many.

For too long, too many giant corporations in New Jersey avoided paying their fair share while hard-pressed middle-class families bore the brunt of the tax burden.

New Jersey has many upstanding corporate citizens, but many billion dollar companies paid only \$200 in taxes while middle class families were paying \$2,000. That was wrong and we changed it.

For twenty-five years, casinos didn't see a single tax increase while middle class families shouldered a bigger burden. That was wrong and we changed it.

We heard the dire predictions about the consequences that would befall our state if we restored fairness to the system.

We were told that asking twelve casinos to pay their fair share to support 220,000 seniors would destroy the economy of an entire region of the state.

We were told that closing loopholes in the corporate business tax would destroy our economy and cost tens of thousands of jobs.

Every one of those predictions has been proven false.

Today our tax system is fairer ... we are adding a record number of new businesses ... and our

economy has created more jobs than all the states in the northeast combined.

And those decisions have built a better New Jersey. A New Jersey that is moving in the right direction.

As we have restored fiscal responsibility, our economy has responded with growth that is the envy of the nation.

While the Administration in Washington has lost two million jobs, we in New Jersey have added 40,000 since the Legislature passed my first budget.

Our unemployment rate has been lower than the national average for nine straight months.

Our enhanced business and job attraction program has approved 25 new companies and 3,500 jobs in the six months since we signed it into law.

We have had a record number of new business filings two years in a row -- 70,000 new businesses started in New Jersey last year alone.

Our economic development authority has increased its financing by over 60 percent and generated 1 billion dollars in new investment.

Our Camden redevelopment plan has generated over 1 billion dollars in private capital investment.

Our investment in the Meadowlands will generate 1.4 billion dollars in economic activity and create 20,000 new jobs.

But don't simply take my word that we are a national leader in creating jobs and growing businesses. This month's Inc. Magazine looked at the top cities in America in which to do business.

Here's what they found. Two New Jersey cities were in the top 10 places in America and a third is in the top 25. No other state in the Northeast can make that claim.

Talking about their survey -- with three New Jersey areas among the national leaders -- Inc. Magazine wrote, quote: "These are among the unexpected places where businesses are adding jobs most rapidly and many people are moving in search of new lives, creating tremendous opportunities for entrepreneurs."

All of these things are happening because WE made the hard decisions ... WE made the right decisions ... WE imposed the necessary fiscal discipline ... and WE always put the hard working families of New Jersey first.

The record is irrefutable; so here it is -- no rhetoric, just the facts.

We dedicated over half of the State budget -- 12.3 billion dollars -- to property tax relief.

Fifty cents of every dollar collected by the State of New Jersey goes back to the taxpayers through aid to their towns, school districts, and direct property tax relief for homeowners.

We provided more aid to local school districts than has ever been provided in history.

We spent four billion dollars to literally re-build our school system by saying to every community that if you need to build a new school, local taxpayers don't have to do it alone.

We balanced two budgets and eliminated over 14 billion dollars in deficits without raising the sales or income tax.

We closed a billion dollars of corporate tax loopholes. That's a billion dollars that won't have to be paid by New Jersey's hard working families ... a billion dollars in cuts to vital programs they will not have to endure.

We cut spending on government operations and held overall spending below the rate of inflation for two years in a row -- no one has done that in nearly fifteen years.

When we took office the fiscal reserve was zero. And in the face of enormous deficits, we have rebuilt our budget reserve to 400 million dollars.

In contrast, the Administration in Washington has given tax breaks to the people who need it the least ... and somehow ... managed to turn a record surplus into a historic, half trillion dollar deficit ... all on the way to losing over two million jobs.

We should be proud of the job we did, how we did it, and what we have done to get the New Jersey economy moving in the right direction.

Now, we must remain true to the fiscal discipline that has brought us to this point.

We cannot do as they have done in Washington and embrace fiscal irresponsibility as the path to economic salvation.

For the third year in a row this budget is balanced ... without an increase in the sales or income tax.

We have reduced the use of one-time revenues by 1 billion dollars and we have used state dollars to replace the 500 million dollars in aid the Federal government has slashed.

Borrowing is down from last year, and unlike the past, every dollar borrowed is paid for with a dedicated source of new revenue.

For the third year in a row, spending on government operations is down.

I am proud that we are investing more money in our schools, in municipal aid to keep property taxes down, in health care for seniors and women and homeland security to keep our families safe.

And for those who want to argue that there is too much spending, show me the specific reductions you want to make in aid to school districts or senior property tax relief or veterans care or DYFS reform.

We are on the right track. We are beginning to reap the rewards from two years of hard choices and tightened belts.

We can use the dividends of our fiscal discipline to build a New Jersey where every parent in every community has access to high quality pre-school and after school programs.

Last week, New Jersey's pre-school program was honored by the National Institute for Early Education Research for having both the highest pre-school standards and the most comprehensive access for low income children anywhere in America.

You should be proud that as a result of the investments you have made over the past two years, we have increased enrollment in our Abbott pre-school program by 40% and set a

national standard for excellence.

That is the type of achievement and success that was intended by the Supreme Court and it is having a measurable impact on the educational achievements of our children.

But the value of pre-school is universal and too many parents are still finding that high quality and affordable pre-school is out of their reach.

And that means too many of our children are missing out on early learning experiences that can influence the rest of their lives.

Today, I propose to bring the same commitment ... the same high pre-school standards that won New Jersey national acclaim to suburban communities all across New Jersey.

With your help, this budget will provide 15 million dollars to expand high quality pre-school to 20,000 additional four- year-olds in the next year.

And we will invest an additional 15 million dollars to start "New Jersey After 3", the nation's first statewide public/private after-school program that will serve 20,000 children next year alone.

And that will build a better New Jersey.

We can use the dividends of our difficult decisions to invest in job creation.

We can build a New Jersey where every high school graduate who wants more education or job training can find it close to home at an affordable price.

Research tells us that students who obtain an associate's degree will earn 400,000 dollars more over their lifetime than a high school graduate. And 95% of community college graduates stay in New Jersey.

These students will become the foundation of our workforce and we must make sure that the benefits of a community college education are within their reach.

We must invest in them so that they can invest in themselves.

This budget will open up a new door of opportunity for 9,000 high school students.

Today I'm calling on this Legislature to create the New Jersey Stars Program, the first New Jersey program to guarantee that every student who performs at the top of his or her high school class will have access to a college education.

To the high school students in New Jersey -- this budget poses a challenge.

If you graduate in the top 20% of your class, the State will make sure that your tuition at a community college is covered.

You do the work ... you make the grades ... and our NJSTARS program will cover the cost.

And that will keep the New Jersey economy moving in the right direction.

Our economy will grow in proportion to the skills of our workforce and our community colleges are the backbone of New Jersey's job training efforts.

Last year they provided training for over 50,000 employees at over 500 companies.

In order to expand our community college job training partnership, this budget will increase the community college construction and renovation program by 100 million dollars.

This will provide job training to 30,000 additional members of the workforce through the construction of new classrooms, laboratories, and training facilities at community colleges across this state.

There have been no better proponents of the community college system than Speaker Sires and Senator Bryant. They have been champions of these two initiatives, and they deserve special recognition for their efforts to make sure that higher education is within the reach of everyone. Thanks to both of you.

Capacity constraints are being felt across our system of higher education.

Our economy cannot afford to let the doors of an affordable quality education at our state universities close to our own high school graduates because of a growing lack of space. Or force others out of state.

This is an investment we must make.

I am asking the Legislature to look at the community college model for capacity expansion and work with us to create similar opportunities for universities and colleges to meet their growing capacity demands.

And together, by building more classrooms, we will build a better New Jersey workforce and keep our economy on the right track.

Our state colleges and universities have also shared in the budget sacrifices of the last two years. And so today, I am asking this legislature to increase funding for our state colleges and universities by 70 million dollars .

Together, they serve over 157,000 New Jersey students every day. It is our obligation to support them.

To keep our economy growing, there are several concrete steps we should take to invest in the industries that offer the highest-paying jobs and the greatest opportunities for growth:

First, we should provide new resources for growing high-tech companies by increasing by 50% the funding for the technology tax credit transfer program;

Second, we should encourage collaboration with our universities by dedicating half of these additional funds to high-tech companies working in our new innovation zones;

Third, we should duplicate the success of our enhanced jobs attraction program with a new jobs retention program that reflects the realities of today's economy.

We have worked together with business to create jobs and now we must work together to keep the good-paying jobs we already have.

As we keep our jobs in New Jersey ... as we invest in the workers of today and the innovators of tomorrow, we will build a stronger economy for New Jersey.

With the fruits of our shared sacrifice, we can invest in the health care of New Jersey, and this budget fully funds our Family Care program.

We can build a New Jersey where access to mammograms is within the reach of every woman and our seniors are given new choices for long term care.

And with an increase in the cigarette tax, we can provide a dedicated funding source and an increase in aid for charity care assistance for our hospitals.

As our seniors confront long term care decisions, they deserve the same respect, dignity, and choices that they have earned through a lifetime of hard work.

Today, I am proposing to fundamentally change the way our state funds the long term care of our senior citizens.

For too long, government has forced seniors to choose between going into a nursing home or giving up the government funds which pay for their care.

For the first time ever, our budget will provide the flexibility we need to allow more seniors to live with dignity at home ... or with a relative ... and still receive the money that New Jersey has earmarked for their long-term care. This puts the choice for long term care where it belongs -- with seniors and their families -- not with government bureaucrats.

This has been a top priority of AARP. We can thank them for all their efforts by creating this landmark "Senior Care" program and telling every family in New Jersey that the proper care of our seniors should be a choice made by them and no one else.

And that will build a better, a more compassionate New Jersey.

Last year, we asked casinos to pay their fair share to support our prescription drug program and, as a result, our budget provides full funding for PAAD and Senior Gold without any changes in eligibility.

But now, I need bi-partisan support to make sure New Jersey seniors and our prescription drug program receive our fair share from Washington.

Join with me ... with AARP ... and let's send Washington a message: New Jersey's prescription drug program is better, more generous. And we won't stand idly by if they insist on replacing New Jersey's program with Washington's.

As we look to the most pressing health needs in our state, there are few more important than the investments we are making in cancer research and cancer care.

This budget continues the cutting edge research and care being provided by the Cancer Institute of New Jersey and South Jersey's new Cancer Institute.

But access to preventive screenings like mammograms is the most important weapon we have in this deadly fight.

As I have visited with women across this state to talk about our effort to require insurance companies to cover mammograms for women under forty, I have been struck by the one request I have heard at every forum in every county.

They say: 'Governor, make the insurance companies cover mammograms -- but you must also do something to help the thousands of women without any insurance. They need your help.'

I cannot accept that in a state of our wealth and compassion that any woman should have to forego a mammogram because she doesn't have insurance --

So I ask you to support my proposal to double state funding to help women without insurance receive breast and cervical cancer screenings.

And together, we will provide mammograms for 15,000 women next year.

And that will build a better, a healthier New Jersey.

Our nation's veterans deserve a special place of recognition and gratitude for the sacrifices they have made so we may enjoy the freedoms that we do.

Across the state, our budget will provide new funding to make sure that as our veterans grow old, they are cared for with the dignity and thanks they have earned.

This spring, we will open the Old Glory Wing in Menlo Park and add room for 40 new residents.

In Paramus, we will begin the construction of a new all-purpose activities room, improving the quality of life for 336 residents.

And in Vineland, we will provide room for 68 more veterans with a new building at the Vineland Veterans home.

And these steps will help our Congressional delegation send a message to the Administration in Washington that we need to expand health care for veterans, not close their hospitals.

As we care for the men and women who have served our country, we must ensure that those who now serve our state on the home front of the war against terrorism are given the tools to do their jobs.

So I ask you to support a new cell tower assessment with all proceeds dedicated to improving 9-1-1 emergency response systems, hiring 200 more State troopers in addition to the 200 already planned for this year, and providing 400 new State Trooper patrol cars.

And that will build a better, a safer New Jersey.

It was less than two months ago that so many of us joined together with Christopher Reeve and countless families to usher in a new era of hope in New Jersey.

Everyday as I travel around this state, I meet people who thank us for our courage and our faith.

My friends, the hope that burns so deeply in these families, their faith that science will discover a cure, must be answered in this budget.

We cannot be satisfied with simply passing stem cell research legislation.

We have an obligation to every patient afflicted with Parkinsons, to every family that has watched a loved one suffer from ALS or Alzheimer's, to seize the opportunity before us.

Today, I propose to go where no other state has gone -- to invest State funds in your courage and the hopes of so many families -- with the creation of a new research institute, the New Jersey Institute for Stem Cell Research.

To start this project and to attract the top researchers and investigators to New Jersey, this budget will provide 6.5 million dollars in initial funding that will leverage additional private research dollars from across this country.

It will put New Jersey at the forefront of medical and pharmaceutical research in this country. And it will put us one step closer to fulfilling our dream -- that some scientist will find a cure for the incurable.

And that will build a better, a more courageous, New Jersey.

These investments in jobs, in education, and in health care for our citizens reflect the priorities of our government. They are all things that will build a better state and will keep New Jersey moving on the right track.

But ultimately, societies are judged by the way they provide for those who cannot care for themselves.

As part of this budget, I am asking each of you to consider the most basic of governmental responsibilities -- the protection of children who cannot protect themselves.

No one can be proud that there are parents who neglect and abuse their children or that our government has too often failed to intervene as quickly as it should have.

For too long, the Division of Youth and Family Services has been unable to meet its critical mission.

So we have taken an unprecedented step. We have enlisted outside experts and subjected the State to their scrutiny because we will do whatever it takes to make this right.

I am not afraid of the scrutiny because we cannot -- we must not -- tolerate failure.

Less than one week ago, Human Services Commissioner Jim Davy handed me a comprehensive plan to reinvent the state's child welfare system.

It is bold ... it is thorough ... and it is necessary.

It will not be inexpensive, but it will pale in comparison to the cost of inaction.

In this budget, I propose a 125 million dollar increase in funding for the Department of Human Services to adopt this ambitious reform plan -- which will reduce caseloads and rebuild DYFS from the ground up.

I know this is a significant investment to make, but we must be prepared to match the outrage of our rhetoric with the conviction to act. I need your input in this process ... but let me be clear -- I am prepared to fight for the necessary funding.

And I am prepared to veto any budget that does not do right by our children.

Together we will build a safer New Jersey for our children.

Today, I have talked a great deal about the decisions we have made to restore fiscal discipline and revitalize our economy.

I have spoken about the priorities of our state and the investments I want to make in jobs, in health care, and in the education of our children.

And as our state revenues increase, our schools must receive first priority for funding.

I am extremely proud that the largest single increase in this budget will be for school funding.

This budget will double the increase in aid that was given last year.

We will provide an additional 100 million dollars to Abbott school districts and an additional 100 million dollars to non-Abbott school districts.

This will enable every school district to receive a 3% increase in aid ... but we will also target additional aid to specific communities in need.

We will provide 5 million dollars in special aid to help certain non-Abbott schools implement efficient and effective programs to raise their student achievement.

We will provide 5 million dollars to be awarded to the twenty school districts that best demonstrate the efficiency and effectiveness that promotes high student achievement.

And we have set aside 5 million dollars to help our fastest-growing communities cope with the increased school costs of a rising population.

But we must do more to help these fast growing communities. So when you send me a budget, also send me impact fee property tax relief legislation.

New homes bring new students who are forcing growing towns to meet growing educational costs. So let's pass this bill so that we can give our towns more tools to protect their taxpayers.

And this increased aid will build a better New Jersey and keep our schools on the right track.

I am extremely proud that we have achieved the important goal laid out by the Supreme Court and we have eliminated the fiscal gap between Abbott and wealthier school districts.

But New Jersey's system of school finance will not be effective until it addresses the educational needs of all students regardless of their hometown.

There are too many children who have precisely the same challenges as children in Abbott districts, but because of where they live, they don't receive the educational support that other children receive.

Our effort has produced encouraging evidence that some of our Abbott districts are producing inspiring student results that exceed those in many suburban districts, even as some Abbotts are not making the progress that we hoped.

Our funding approach must assure everyone that we are demanding both educational excellence and accountability for every school district in the state.

On the issue of spending by school districts, I want to be clear. My Administration is prepared to be an advocate for the children and the taxpayers of this state against inefficient and ineffective spending.

This budget will place limits on the administrative expenses of school districts so parents can know that their tax dollars are going into the classroom and not into the bureaucracy.

We are providing a significant increase in aid to local school districts, but we will not tolerate inefficient and ineffective spending that accomplishes nothing but an increase in local property taxes.

So I have instructed Commissioner Librera to use the powers of his office to review school district spending to make sure school budgets is funding actual educational achievement.

Let me summarize once again what we are doing to provide new and immediate property tax relief in this budget.

We are devoting fully half of the budget to direct and indirect property tax relief programs.

We are doubling funding for the Senior Citizen property tax freeze program and bringing all of last year's applicants into the program. This will allow 130,000 seniors to have their property taxes frozen.

We are preserving the homestead rebate for 1.6 million people, the veterans property tax deduction for 320,000 residents, and the New Jersey Saver for 1.2 million taxpayers all at their current levels.

We are maintaining the maximum \$10,000 property tax deduction for two million taxpayers.

We are increasing school aid by more than \$200 million for a historic total of 8.7 billion dollars.

We are providing special aid for the fastest growing communities and calling on the Legislature to provide additional aid to these towns by passing impact fee legislation.

We are quadrupling last year's increase in municipal aid by 32 million dollars for a total of 1.8 billion dollars.

We are building on the work of Assembly Majority Leader Roberts and Senate Minority Leader Lance and doubling funding for REDI grants to promote efficiencies and shared services.

We are creating new Taxpayer Hero grants to reward Mayors that hold the line on property taxes.

And we are continuing the effort to eliminate wasteful and unnecessary bureaucracies and provide local taxpayers accountability for their tax dollars.

Everything we have here is far more than we were able to do in our last two budgets.

Everything we do here places the emphasis where it belongs -- on bringing property relief to every taxpayer in this state.

But I do not want to leave anyone with the impression that this budget is the end of the discussion. It is only the beginning and I will be back.

I refuse to allow another year to go by without asking this legislature to do more.

The realities are stark ... the challenges immense ... and the consequences of inaction are simply unacceptable.

No branch, no level of government can do this alone. We must do it together and we must do it this year.

The dictionary defines a Budget as "An itemized summary of probable expenditures and income for a given period."

Those of us who have been through the budget battles before know it is so much more than a list of probable expenditures and income ... or a series of lines with numbers.

Its meaning is much deeper than the phrases that we casually toss around -- revenue

estimates ... income projections ... line-items ... and yes, securitizations.

It embodies the aspirations of a generation of children who want to go to college and the hopes of a legion of families who want to see their loved ones receive better health care.

This book reflects the conscience of our state and the collective compassion of our citizenry.

It is our document of accountability to the public for the taxes they pay and the services they receive.

In years past, it has reflected the tough choices of a difficult time. Today, it reflects the investments of a state that has put itself back on the right track.

Investments that mean more children will be able to go to pre-school ... and more young people will be able to afford college ...

Choices that mean more workers will be able to take advantage of job training ... and more companies will come to New Jersey.

Priorities that mean more seniors will have access to affordable prescriptions ... and more women will have access to mammograms ...

And values that mean more of our most vulnerable young people will finally be given the protection they deserve.

For two years, we have made tough choices to meet the burden of tough times.

We have asked for sacrifices as we have demanded fairness. So today we can say New Jersey has turned the corner and is now moving in the right direction.

The future of New Jersey is brighter today than it was two years ago -- not simply by the actions of government, but through the hard work of the people and businesses of this great state.

This is what happens when we join in common purpose to pursue a common vision. We have laid the groundwork for a better tomorrow.

In the months ahead I look forward to working with the bi-partisanship leadership of the Legislature, Speaker Sires, Senate President Codey, the Majority Leaders Roberts and Kenny, budget and appropriations chair persons, Greenwald, Bryant, and Watson-Coleman as well as Minority Leaders Lance and DeCroce and budget officers Littell and Malone.

The challenges continue ... the fight for tax fairness goes on ... and the tough choices don't go away. But today, thanks to that fiscal discipline we have shown, we are beginning to see the fruits of our labors.

We have put New Jersey on the right track and we are moving in the right direction.

The sun is rising on the New Jersey horizon and greater hope and opportunities are here for all our citizens.

Now, let's get to work.

