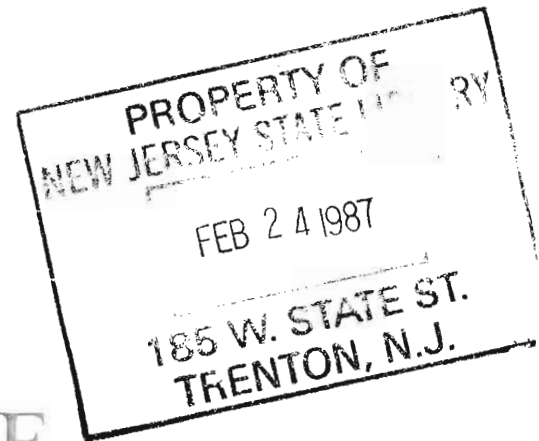




**ANNUAL MESSAGE
TO THE
NEW JERSEY
STATE
LEGISLATURE**

**BY
THOMAS H. KEAN
GOVERNOR**

JANUARY 13, 1987



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“The Opportunity Agenda”

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To the Members of the Legislature:

I am certain none of you can forget last summer's Statue of Liberty celebration in our harbor. As host to many of the events, I felt a special pride as an American—and a New Jerseyan.

The world came to our shores last summer and found that we are still passionate about personal freedom and initiative. They learned Americans still believe success is possible through hard work. They found that while we honor the past, we are restless to move forward.

I have often said that New Jersey is "America the beautiful," only smaller. Like America, New Jersey has proven itself a land of opportunity. Our remarkable economic growth during the past five years has provided thousands of people new jobs, new homes and new lives.

I am proud to report that New Jersey is as rich and proud as ever in our history. I am particularly proud of the role government has played in creating today's opportunities.

Together, we have cut taxes and helped businesses expand. We have invested billions in roads and mass transit. We have created science and technology centers to stay on the cutting edge of change.

We have improved our schools and, because of that, improved our students' chances for productive lives. We have helped our colleges and universities strive to become among the best in the nation. We have offered health care to the poor and the elderly and given them a chance in life. We have become a leader in protecting our precious air and water.

But as we celebrate our success today, let me issue a warning. In the shadows of our success lurk dangers

that threaten our continued prosperity. They concern our cities, our poor, our workers and our environment. A people with vision will confront those dangers and conquer them. A people without vision will ignore the dangers and invite complacency and inevitable decline.

I will not shrink from these challenges, and I do not think you will, either. In 1987, and through the rest of my term as Governor, we must face these challenges one by one.

We must continue our phenomenal growth yet protect our fragile environment. Future jobs will only be possible in a clean environment.

We must step up the pace of job retraining. Jobs are growing faster here than job skills are being taught. With no workers to fill the high tech jobs, businesses will leave.

We must remove the albatross of high insurance rates from around our necks. Runaway insurance rates are threatening businesses and eating up our citizens' savings.

We must continue to improve our schools because our children will be the ones competing against foreign nations to run the complex industries of the 21st century.

We must break the cycle of welfare dependence and give our poor a shot at jobs—and the dignity and independence that jobs bring. There are no “spare” people in this society.

We must rebuild our cities block by block with neighborhood people as the bricks and private money as the mortar. That is the only way our cities will become self-sufficient again.

These challenges are not for the complacent or the faint-hearted. They are for a people who aspire to greatness. I have spent the last year pondering our future. I have given a great deal of thought to how New Jersey can avoid complacency and fulfill our destiny.

I have a plan to keep New Jersey moving. It is called The Opportunity Agenda. It is a plan to make us stronger in a more competitive world.

In the coming year, I will ask you to revolutionize welfare in New Jersey by giving recipients the skills they need to succeed in private industry. Without question, the best welfare program is a job.

I also will ask you to help keep urban students in school by approving the 10,000 Jobs/10,000 Graduates program that will insure them a job when they graduate.

I will ask you to create Neighborhood Development Corporation to bring private investment to our cities and help urban residents invest in themselves.

I will ask you to approve auto and liability insurance reform to take the yoke of high rates off the people of New Jersey.

I will ask you to create a major new program, the New Jersey Clean Ocean Authority, to manage New Jersey's most valuable natural resource. And I will ask you to preserve our wetlands and open space as well by approving legislation already before you.

I believe if we follow this agenda we will keep New Jersey healthy and prosperous in the years ahead. If we do not, then I fear New Jersey will lose her competitive edge.

I have never been shy in talking about New Jersey's attributes. As Governor, I have spoken proudly about New Jersey's success—how we rose from the economic doldrums to stand as a beacon of opportunity for the nation to see.

Today I call on you to face a new and more difficult challenge. I call on you this time to make not the relatively easy jump from failure to success, but the giant leap from success to great-

ness. Let us work together to insure that New Jersey's prosperity is not fleeting, but something we give to our children.

The great commander of the Pacific, General Douglas MacArthur, put it best. He said “There is no security on this earth—there is only opportunity.”

I am committed to preserving New Jersey as a land of opportunity, and I know you are, too. Let us go forward together then, as Alfred Lord Tennyson wrote, “strong in will, to strive, to seek, to find, and not to yield.”

Let us get to work on The Opportunity Agenda.



Thomas H. Kean



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Jobs and the Economy



Riches," John Adams once wrote, "attract the attention, consideration and congratulations of mankind." Two hundred years later New Jersey is still finding John Adams' perceptions to be true.

As 1987 begins it is my great pleasure to report to you that New Jersey's economy remains rich and promising. The strongest economic surge in four decades continues unabated. We boast more jobs, more businesses and higher incomes than ever in our history. We are advancing in new technologies and laying the groundwork for future prosperity.

That kind of success is attracting more and more attention. We are now seen, not as an economic backwater, but as an economic leader for other states to imitate.

New Jersey today is in the business of creating opportunity. We are a paradigm for what government can do to encourage economic growth.

Opportunity most often starts with a decent job. When I ran for Governor in 1981 I said my highest priority was to

create jobs. And that is just what we have done. As of October, New Jersey was producing, in total, 3,760,000 jobs—a record. One hundred thousand new jobs were created in 1986, up nearly three percent from a very strong year in 1985. That brought the total number of new jobs created since we took office to more than 450,000.

New Jersey's average unemployment rate for 1986 stood at 5.1 percent, the second lowest among the top 11 industrial states and two points below the national average. It was significantly below our neighbors New York and Pennsylvania.

We boast more jobs, more businesses and higher incomes than ever in our history.

The benefits of our economic surge are extending to all New Jerseyans. Twenty-two thousand more black New Jerseyans, for example, are working now than at this time last year. Black

unemployment has dropped from nearly 20 percent in 1982 to less than 10 percent today. When you consider that black unemployment is nearly 15 percent nationwide, you realize that New Jersey's strong economy is offering opportunity even for those people who have been left out of good times.

By all measures 1986 was a prosperous year for New Jerseyans. Per capita income rose an estimated 6.3 percent, compared to 5.2 percent for the rest of the country. On average, that meant each man, woman and child in the Garden State had an income of \$17,211. Only Alaska and Connecticut residents had more money last year.

Income and employment are up because business is booming. During the first eight months of 1986, business incorporations rose 12 percent over the previous year and 43 percent higher than three years earlier. What's more, New Jersey's rate of business incorporation was more than double the national average.

Businesses are bullish on New Jersey. A recent New Jersey Business and Industry Association survey found that

two-thirds of the business people they interviewed said New Jersey was a good place for expansion. That was an increase from 40 percent four years earlier.

And businesses are backing up that confidence with investment capital. During the first three quarters of 1986, the state Division of Economic Development helped 66 firms expand and helped bring 59 companies to the state. That will create about 10,000 new jobs in New Jersey.

Some of these firms are among this nation's largest and most successful. Early next year ADT, the world's largest electronic security firm, will move its headquarters from the World Trade Center to Parsippany. That will add 300 new jobs to the state's economy. Peat, Marwick, & Mitchell, the nation's second largest accounting firm, is relocating from New York to a \$20 million complex in Montvale. Hertz, the nation's number one car rental agency, is moving its world headquarters from New York City to Park Ridge. Even Crazy Eddie took the sane approach last year and moved his headquarters from Brooklyn to Edison.

New Jersey now ranks third in the number of Fortune 500 company headquarters. We are enormously proud of that. We are equally proud of the small to mid-size firms which are the backbone of the New Jersey economy. They are the ones creating most of the thousands of new jobs.

Last year *Forbes* magazine picked the 200 wealthiest small companies in the nation. Not surprisingly the greatest number were located in California and New York. But third on the list was a surprise. Thirteen of *Forbes'* top small companies were located right here in New Jersey. A year earlier only six New Jersey companies had made the list, putting our state in ninth place.

New Jersey companies are growing and growing fast. Surveys by *Time* and *Business Week* rank New Jersey among the top five states in the number of high-growth companies. One example is A.L. Laboratories of Englewood Cliffs, which makes health care prod-



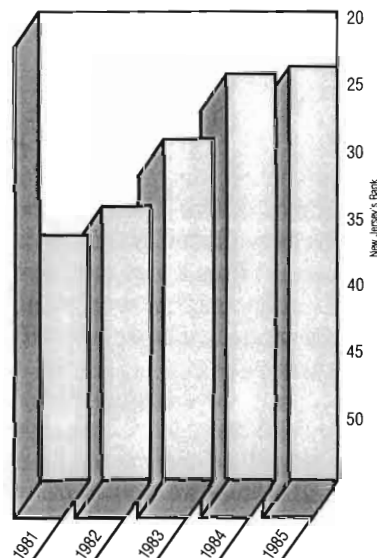
ucts for people and animals. From its earnings of \$100,000 in 1981, the 10-year-old company leaped to \$45.5 million in 1985, an astronomical increase.

New Jersey has spurred business growth by chopping away at the tax underbrush. Since we took office, we

have gotten rid of four burdensome business taxes, freeing businesses to do what they do best—expand and hire more people.

Last June we completely eliminated the corporate net worth tax, saving New Jersey businesses \$150 million a year. That sends a clear message to business people that New Jersey is fertile ground for new enterprise.

*New Jersey Business Climate
National Ranking*



Since we took office, we have gotten rid of four burdensome business taxes, freeing businesses to do what they do best—expand and hire more people.

We have also helped start-up businesses with our two-year-old loss carry-forward law. Under this law, businesses less than eight years old may save taxes by deducting losses from future revenues. This gives smaller firms the incentive to endure the tough first years of existence. Loss carry-forward will save businesses \$30 million in fiscal 1987.



Our urban enterprise zone program is helping to stimulate business in our cities. Businesses that locate in 10 depressed urban areas will earn \$20 million in tax breaks this year.

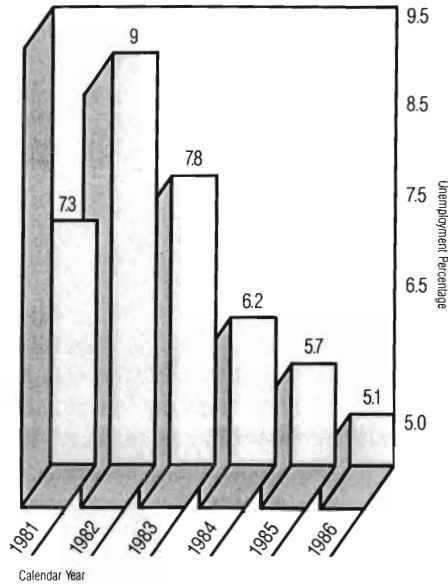
And New Jersey businesses no longer owe the federal government for debts to the Unemployment Insurance Program. When we took office the \$600 million debt amounted to a \$42 tax on every New Jersey worker. Now the debt is completely eliminated and, in fact, we have a large surplus.

Tax cutting has paved the way for business growth. For the second year in a row, the Grant-Thornton survey picked New Jersey as the state with the best climate for business in the Mid-east region. That means New Jersey beat out New York, Pennsylvania, Delaware, Maryland and West Virginia. Nationwide, New Jersey ranked 23rd, up one notch from a year before. As recently as 1979 New Jersey ranked 49th in business climate.

We have also cut taxes for individuals freeing them to do what taxpayers do best—spend their disposable income. Last July we eliminated the Transfer Inheritance Tax on spouses. This onerous tax was an unfair burden to farmers, small businessmen and the elderly. Its elimination saves them \$65 million a year.

With more money in their wallets New Jerseyans are making cash registers ring across the state. Retail sales climbed to a record \$4.7 billion in August. During the first eight months of the year sales rose 9.4 percent, more

New Jersey Unemployment Rate



than twice what they did nationally. And this surge in sales created employment—jobs in wholesale and retail grew by more than three-and-a-half percent in 1986.

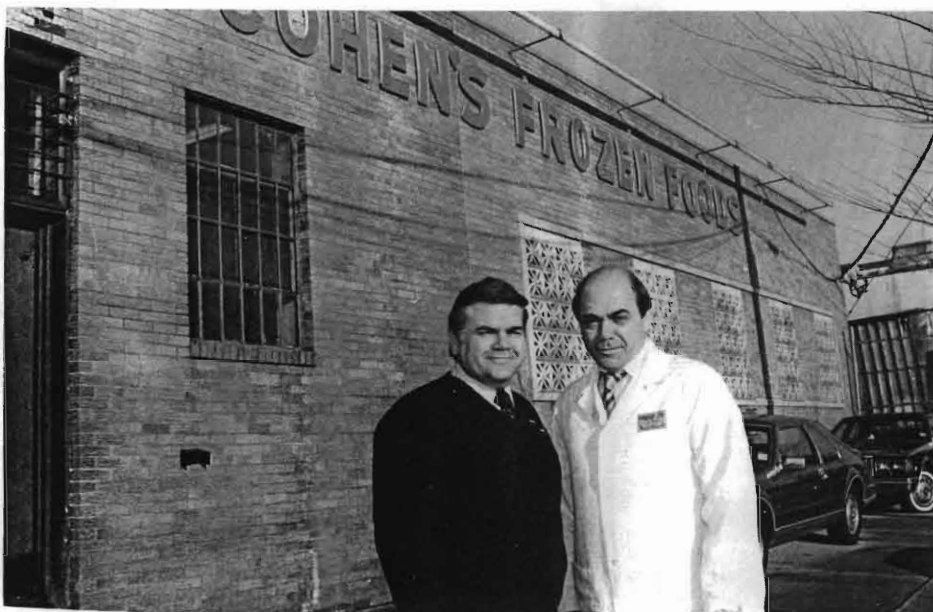
Construction is also booming. We must look all the way back to the 1960's to see anything like today's housing expansion. As a rule of thumb, 35,000 new units is a normal year in the housing industry. In 1986 we added 65,000 units—almost double what we had come to expect. That means 6,700 new construction jobs, up five percent above 1985's already high levels.

But construction is not the only area where jobs were growing. Service jobs and jobs in finance, insurance and real estate grew about five percent as well in 1986.

For the second year in a row, the Grant-Thornton survey picked New Jersey as the state with the best climate for business in the mid-east region.

There is little fat in this business expansion. New Jersey companies are running lean and producing more. Manufacturing productivity in New Jersey last year was up 27 percent from 1983, compared to 16 percent nationwide over the same period.

New Jersey business and industry is operating with an eye to the future. We are rapidly moving into the growth sec-

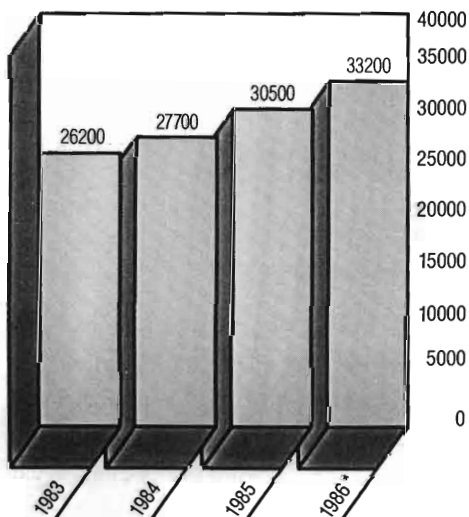




tors of advanced technology, international trade and business services. We are helping private industry develop the industries that will carry us into the next century.

While government is helping business be more productive, we are also making sure that minority groups get a fair chance to do business with the state. I believe that private enterprise offers the best hope for millions of New Jerseyans of minority background and for women looking to take advantage of the entrepreneurial skills.

*New Jersey New Businesses
1983 - 1986*



* Estimate Based On Data Through Sept. 1986

In 1985 we put in place a law which requires state agencies to establish goals for setting aside 15 percent of their contracts for small businesses and a total of 10 percent for women and minorities. The effort is working. Last year in the Department of Transportation alone, minority business contractors secured 118 contracts worth \$34.6 million.

ENERGY

New Jersey's booming economy is taking advantage of lower utility rates. Jersey Central Power & Light (JCP&L) and Public Service Electric & Gas (PSE&G) reduced rates to consumers this year. PSE&G agreed to cut its natural gas rates by \$30 million in October. JCP&L dropped its electrical rates 5.6 percent, saving users \$64 million in June.

But I believe rates can be reduced even further if the federal government would get out of the intrastate energy business.

Many utilities buy spare power from big industrial plants in New Jersey like Marcal or Tenneco. These plants are called cogenerators. Right now, if a cogenerating plant in Ocean County wants to sell spare energy to a utility in Hudson County federal law makes it very difficult.

That is because JCP&L serves one community and PSE&G serves the other, and the federal government must

oversee the transfer of energy.

Federal law does not encourage this kind of energy transmission, known as "wheeling." In fact, it makes it nearly impossible because of the high wheeling rates it sets. This is bad for both businesses and households. Cogeneration could potentially save consumers from high electrical rates.

Therefore, I am calling on Congress to transfer control over intrastate electricity transmission from the federal government to the states. This will allow states to direct the sale of cogenerated power to utilities that need it the most.

We at the state level know best what our energy needs are. We set the rates for generating electricity, and we should be able to set the rates for its transmission. This will lead to a much more efficient electricity system, a reduction in energy cost and a boost to New Jersey's economy.

I will also create by executive order a task force to investigate the use of market-based pricing for electricity.

Market-based pricing would prevent a power producer from automatically passing the costs of new construction onto rate payers. Consumers would pay the fair market rate for electricity and not be penalized for poor business practices by their utility company. All power producers, whether they are utilities, cogenerators, or small hydropower producers, would be treated equally and the most efficient producers would

provide our electricity at lowest cost.

The task force will consist of representatives from the BPU, electric utility industry, consumer groups, the business community and my staff.

TRADE

Any salesman will tell you that you do not move goods by sitting home and waiting for the telephone to ring. You have to pound the pavement and press the flesh. Five years ago we realized we could not pound the world's pavements if we did not have a guide. That is when we created the Division of International Trade to help our companies trade abroad.

Nineteen-eighty-six was by far the division's brightest year. Sixty-seven New Jersey companies went to trade shows around the world last year, thanks to the efforts of the division and its able director, Ming Hsu. The contracts they made generated more than 2,300 sales leads and thousands of dollars in sales.

In 1986 I took a personal hand in trade relations. In September, I led a 17-day trade mission to Hong Kong, South Korea and the People's Republic of China—my first since taking office. In China I signed a cooperative trade agreement with the province of Zhejiang, and I met with China's Vice premier Yao Yilin who gave me every indication China eagerly awaited joint ventures with American businesses.

While overseas, I was surprised to bump into several other governors on



similar trade missions. It turns out there were 68 gubernatorial missions abroad last year. These peripatetic governors indicate a new reality in international trade. Reduced federal aid and

In 1986 I took a personal hand in trade relations.

the lingering trade deficit have forced governors to become roving ambassadors to drum up interest in their state's products. States now have to compete against each other and against foreign companies to market their goods.

That is why we have made such a

strong effort to teach our small and midsize companies how to sell abroad. The division sponsors seminars for New Jersey companies which might as well be titled "Everything You Always Wanted to Know about Trading Abroad But Were Afraid to Ask." Many of our pupils tell us they would never have gotten into exporting without the help of the division.

The most recent figures show New Jersey ranks tenth in the nation in the value of goods exported—\$8.38 billion. That is good. But I believe with the Division of International Trade's aggressive approach, we can increase our share.

That is why we need to establish a New Jersey trade office in Tokyo. Currently, 31 states have trade offices in foreign countries. Most have at least two offices. New York has six and Pennsylvania has four. Even Alabama, which has half our population and less than half our exports, has five offices abroad. The Tokyo office will allow New Jersey a presence in Asia that we do not have today and help us pound the world's pavement a little bit harder. It will also serve to attract foreign investment into our state.

International trade is a two-way street, and imports, like exports, are important to New Jersey. Foreign countries ship their goods to New Jersey because of our excellent transportation system and because we are within a half day's drive of one third of the nation's population.



New Jersey's facility at Port Newark/Port Elizabeth is the largest container port in the nation. Nearly 19 million tons of cargo go in and out each year. So many foreign cars enter here that in December the Port Authority voted to build a new \$31 million auto import terminal in Bayonne and Jersey City to handle the increased volume. By 1995 it is expected that 600,000 foreign cars will enter New Jersey each year, adding 500 jobs and \$1.5 billion to the local economy.

Increased trade brings increased foreign investment, which is good for New Jersey. Rather than taking jobs away from American workers, foreign companies are investing their money in plants here and hiring our people.

Nationwide, New Jersey ranks fourth in foreign investment. More than 1,000 foreign firms employ 140,000 workers in New Jersey plants valued at \$9.5 billion. Since 1982 the number of foreign firms has doubled in New Jersey, and we expect another 500 firms by 1990. This foreign investment is helping to offset the loss of manufacturing jobs from American firms.

In 1986 the goal of the Division of International Trade was to increase investment by Korean firms in New Jersey. That effort is paying off. The number of South Korean firms in New Jersey is growing faster than any other country; 23 now have operations here. Two major firms—Samsung Electronics and Lucky-Goldstar—are moving their U.S. headquarters here this year.

We anticipate signing an agreement very soon with the Korean-U.S. Economic Council. This agreement will promote mutual understanding and co-

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operation between the business communities of New Jersey and the Republic of Korea in the fields of trade and investment.

In August, the State of New Jersey also signed a cooperative agreement with the Bank of Tokyo, designed to promote Japanese investment and trade with New Jersey. Presently, 180 Japanese firms have plants or offices in New Jersey. The Bank of Tokyo is widely recognized as Japan's foremost international financial institution and its sole specialized foreign exchange bank.

HIGH TECHNOLOGY

Just as exciting as the developments in foreign trade are the staggering changes going on in the area we call "high-technology." Let me give you two examples.

Last year, scientists at Princeton produced the highest temperatures ever achieved for a confined gas: 360 million degrees Fahrenheit. That is ten times hotter than the center of the sun. Their experiment marks a major milestone in the development of fusion energy which will ultimately use ingredients commonly found in sea water as its fuel. The implications of this breakthrough are enormous.

In December, a Bell Labs computer artist discovered something nearly as astonishing, this time about human nature. She claimed to solve the art

world's most intriguing mystery. Using experimental computer-model juxtaposition, she found the facial lines in Leonardo da Vinci's self portrait and the lines of his most famous subject the Mona Lisa matched identically. Could it be that the mysterious lady with the ironic smile was actually the artist himself? The art world is still buzzing.

Nuclear fusion and Leonardo's secret were two of science's most publicized discoveries last year. It is not surprising that they happened in New Jersey. Research is a way of life here, not only in our major research universities but in private laboratories all over the state. New Jersey leads the nation in privately funded research. In fact, 10 percent of the nation's research and development dollars are spent right here in the Garden State.

New Jersey ranks fourth in the number of high-tech firms and third in the number of patents. Three years ago we created the New Jersey Commission on Science and Technology to maintain New Jersey's pre-eminent position in science and technology. Its goal is to work with universities and businesses to establish new world-class research centers—centers which will make New Jersey the undisputed leader in the emerging industries of the 21st century.



While faculty members at each of these centers are making significant progress in their research, we will help accelerate this by developing new facilities, second to none. This year we will break ground on three centers:

- a major research center dedicated to studying technological solutions to hazardous waste problems at NJIT;
- the center for Ceramics Research at Rutgers, which will explore a critical and rapidly changing field of material science; and
- the Center for Advanced Biotechnology and Medicine at the UMDNJ Bush Campus in Piscataway.

We are also making progress on a world caliber center for the study of environmental health sciences, an institute which has already begun to attract some of our nation's premier scientists and researchers.

In addition, beginning in March, the national supercomputer research center at Princeton will house the world's fastest computer. ETA-10 will make even the world's fastest computers slow in comparison. Three hundred scientists world-wide will link up to ETA-10 and be able to perform calculations, such as the flow around new airplane wing design, the movement of large weather systems, and modeling genetic structure. These are calculations that in the past were too time consuming to perform but will now become routine.

The Commission and the technology centers are part of a long term strategy—to keep New Jersey prosperous by staying on the cutting edge of technological development. But dividends are starting to pay off in the short term. By strengthening existing

industries and supporting start-up firms, the Commission programs have already created or saved 1500 jobs in New Jersey.

The centers are receiving broad support from New Jersey businesses. Already 70 firms have become members of the advanced technology centers and have contributed more than \$11.5 million to their operation. The centers have also attracted more than \$6 million in matching federal grants. And small high-tech businesses assisted by the Commission received more than \$2 million in federal research grants last year.

Together, these contributions—close to \$20 million in outside money—are greater than the amount contributed by the state. This widespread support so early on bodes well for a long and profitable partnership for government, business and academia.

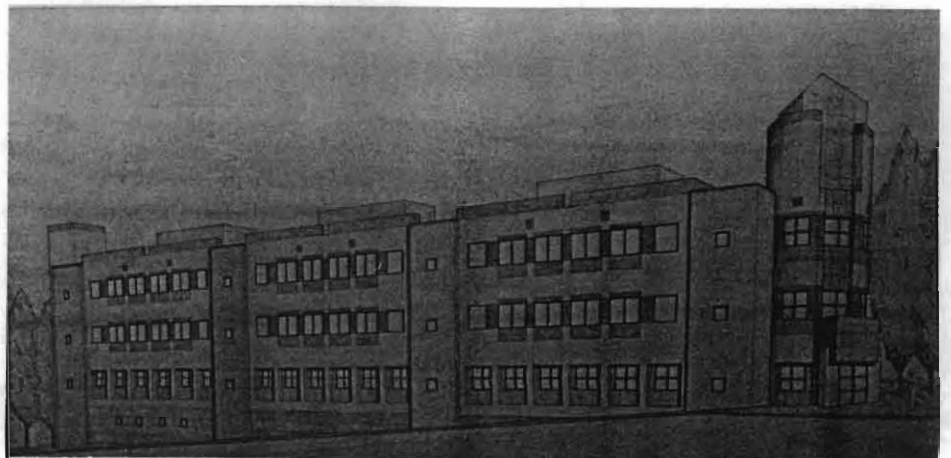
Although the Science and Technology Commission is barely three years old, its programs have already received national recognition. Last year the National Science Foundation recognized the outstanding quality of the Commission's programs by designating New Jersey one of four "model states" in science and technology development.

And the National Academy of Science selected New Jersey as an outstanding example of how a state can develop its science and technology, with a recommendation that other states follow our lead.

With all this new research underway, I think it is about time we officially recognize New Jersey's heritage as the cradle of invention. It is time to remind everyone that New Jersey is the state where Alexander Hamilton, Thomas Edison and Albert Einstein made their greatest contributions. Where the transistor and the telegraph came into being. Where the light bulb and the movie camera and photographic film were first brought to life.

Although the Science and Technology Commission is barely three years old, its programs have already received national recognition.

Therefore, in April I will proclaim a special two-year observance to celebrate "New Jersey: the Invention State" to mark our scientific heritage. Not only will the events help New Jerseyans appreciate how the quality of life has been improved by these research activities, but they will provide excellent opportunities to encourage science education programs. With tomorrow's advanced technologies already here, we need to stimulate New Jerseyans of all ages to find the spirit of Edison and Einstein within themselves.





ON THE WATERFRONT

New technologies and new industries will be our legacy to the people of New Jersey. So will the development of the world's most valuable piece of under-utilized land, the Hudson River waterfront.

Five years ago the waterfront was a ramshackle collection of rotting docks and abandoned rail yards ruled by packs of mongrel dogs. Today all that has changed. Some of the nation's top builders are coming out of the ground with projects that will change the face of the waterfront for the better. Finally, after decades of inertia, the magnificent 18-mile stretch of riverfront is close to fulfilling its destiny.

At the moment, 22 waterfront development projects, from Edgewater to Bayonne, are either underway or on the drawing board. Taken together they involve more than \$10 billion in investment. They could create 20 million square feet in office space, 36,000 residential units and two million square

feet of commercial development by the turn of the century. This will create 100,000 new jobs, including 30,000 for Hudson County residents alone.

Last year, the Grad partnership and First Jersey National Bank broke ground on what will be New Jersey's tallest building, a 30-story tower at Exchange Place in Jersey City. Hartz Mountain broke ground in Weehawken on the first phase of its Liberty Harbor development. Paine Webber will move its back office operations there in 1988. And Arthur Imperatore began ferry service between Manhattan and his 360-acre Arcorp property in Weehawken and West New York.

This year we look forward to completion of the first phases of two major projects in Jersey City. At Newport near the entrance to the Holland Tunnel, four residential towers with 1,504 apartments will be ready for occupancy by summer. Thanks to a low interest \$136 million HMFA mortgage, 18 percent of the apartments will be available to low and moderate-income residents.

What's more, the 800,000 square foot shopping mall which anchors the whole development will be open for business in the fall.

At Porte Liberte on the city's southern shore, the first group of residents will move into their super luxury townhomes on man-made canals early this year. With an awe-inspiring view of the Statue of Liberty, this project has been called one of the finest housing developments in the world.

Finally, after decades of inertia, the magnificent 18-mile stretch of riverfront is close to fulfilling its destiny.

Two hundred years ago Alexander Hamilton predicted that one day a great city would rise on the west banks of the Hudson. With so much development already underway, with luck we may see that vision fulfilled within our lifetimes.

A word of caution, however. As I said in my message last year, without a good transportation system all this promised development will grind to a halt. Last year we made significant progress in advancing the light rail and bus service we have planned for the Hudson waterfront. We received a \$20 million grant from the federal Urban Mass Transportation Administration and we received \$50 million from the Port Authority to purchase railroad rights-of-way. We estimate we have completed 80 percent of the conceptual engineering. We are still a decade away from a system that will run from the Meadowlands and Edgewater all the way down to southern Jersey City. With continued hard work we will accomplish our goal.

At the moment, 22 separate waterfront development projects, from Edgewater to Bayonne, are either underway or on the drawing board.

Working especially hard will be the new Waterfront Transportation unit I appointed this year. Their sole mission will be to complete the design and engineering and to build the system.

In 1986 I also created a waterfront cabinet committee, made up of six cabinet members, headed by my Chief of Policy and Planning Brenda Davis, to make sure the administration speaks with one voice on this vital area of our state's development. They are working to ensure that waterfront development projects receive the highest priority.

As legislators, you know infrastructure is expensive. Government cannot do it alone. And waterfront developers know they have to contribute their fair share to new roads and transit, affordable housing and water treatment. The question is how much should they contribute. This year my Office of Pol-



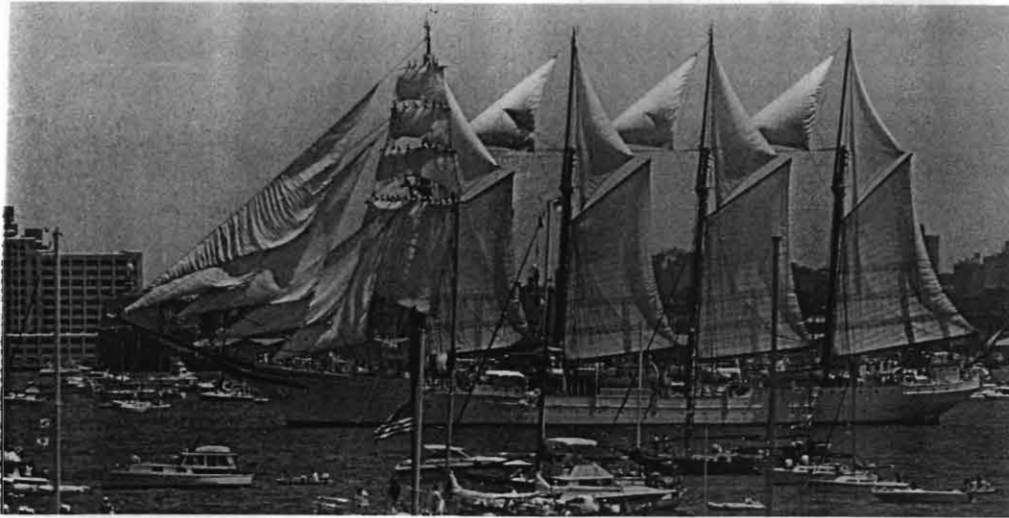
icy and Planning will conduct a study and report back to me on what we can expect private developers to pay for these items. When we have that information, and can provide guidance to municipalities and certainty to developers, development will move even faster.

One of the conditions of waterfront development is that private developers build a promenade on their properties to link the entire riverfront and give local residents continuous access to one of the most beautiful views in this country. In some places there will be no de-

velopment. This year we anticipate the Port Authority will announce they will pay for the promenade from Exchange Place to Liberty State Park in Jersey City. When it is built someone will be able to leave the PATH train at the soon-to-be-remodeled Exchange Place station and walk or bicycle all the way to the Park.

There was other good news on the waterfront this year. New Jersey's second waterfront marathon was again a big success, attracting 6,000 runners and 100,000 spectators. But the real news was that shortly after the race, the





U.S. Olympic Committee selected the waterfront course to be the site of the men's 1988 Olympic trials.

The race begins and ends at Liberty State Park. It is already the most popular park in our state park system. This year more than 300,000 visitors ferried from Liberty State Park to the Statue of Liberty, a big change from two years ago when only 28,000 people boarded at the park.

By the time the Olympic trials start 17 months from now, we anticipate other changes. A 600-slip marina should be ready and significant progress should be made toward completing the new Science and Technology Center, which will rival San Francisco's Exploratorium and Boston's Museum of Science. This year we hired an executive director, started design, and reached the halfway point in our quest for \$42 million to build this center of learning and fun.

The Hudson riverfront is not the only waterfront that is developing these days. After lying dormant for decades, Monmouth County's Bayshore is coming to life with new businesses and housing. Typical of this is the private ferry service begun last summer from Highlands to Manhattan. Business has been very good and the owners plan to expand operations to Keyport this year.

I am glad to say government has been helping to revitalize the Bayshore. Fifteen months ago I announced a program to spur economic development in

the region. And last month the Department of Community Affairs (DCA) opened an office of Bayshore Development in Atlantic Highlands.

Community Affairs Commissioner Leonard Coleman is working with the mayors of the nine Bayshore towns to make sure development is in keeping with what local residents want. The mayors say they are interested in Main Street revitalization, housing, especially for the elderly, flood control, beachfront protection and protected water supply. This year we hope to form a council of Bayshore Development representing all of the towns.

We also anticipate continued development along the waterfront in Camden. My staff is working with the various port authorities in the area, the Camden mayor's office, the Cooper's Ferry Development Corporation, Campbell's Soup and RCA to fulfill that city's great potential.

We expect to make progress this year on plans for an aquarium which could serve as the anchor to the whole waterfront revitalization.

THE BUSINESS OF LEISURE

There is no better example of how the waterfront improves our state's image than last summer's Statue of Liberty celebration. For four days the world's attention was captivated by the events

off our coast. Thousands enjoyed spectacular views and terrific entertainment at Liberty State Park. And up and down our shore, crowds thronged to catch a glimpse of the tall ships as they sailed up the Hudson.

The events at Liberty State Park and the weekend's closing ceremonies from the Meadowlands were reminders of how attractive New Jersey has become for visitors and how important tourism is to the state.

Tourism remains New Jersey's second largest industry, generating \$11.4 billion in revenue annually. Only four other states generated more revenue than New Jersey from visitors.

*Tourism remains New Jersey's
second largest industry,
generating \$11.4 billion in
revenue a year.*

The money we spend to promote New Jersey is well spent. Marketing surveys show that before the "New Jersey and You" campaign was launched the state ranked a distant third behind New York and Pennsylvania as a desirable place to vacation by car. Today New Jersey just about matches New York and is well ahead of Pennsylvania.

Conventions, corporate tours and trade shows offer a potential lucrative and largely untapped market for our hundreds of first-rate convention

centers, tourist attractions and hotels and motels. I propose we create an Office of Governor's Business Ombudsman whose job it would be to sell the state as a "convention campus" and help New Jersey business earn more of what is now a \$32 billion national market.

Visitors love our white beaches and green mountains, our battlefields and museums. But their favorite spot continues to be Atlantic City. More than 30 million visitors came to Atlantic City in 1986, making it again the nation's number one tourist attraction. That is good news for the state and especially for our older and handicapped citizens. The eight percent tax on casino winnings poured \$168 million into the fund constitutionally dedicated to programs for the elderly and disabled during the first 11 months of 1986. Since the first casino opened in 1978 nearly \$1 billion has been collected for this worthy cause.

Another nationally-known destination for lovers of sports celebrated a birthday in 1986. In September the



Meadowlands Sports Complex celebrated its tenth birthday as the most successful sports and entertainment complex in the United States. The Meadowlands has done much to give New Jerseyans a growing sense of pride in their state.

In addition to closing Liberty weekend, the Meadowlands hosted the finest NFL football of 1986. The year started with both the Giants and Jets in playoff games at home on the same weekend—a great 48 hours for Jersey football. It ended with the two teams making the playoffs again—the second year in a row for the Jets and the third year in a row for the Giants.

I cannot wait until our fine pro football teams are joined by a major league baseball team. It will not be long before we announce a site for that team's new home. Just last month we hired four consultants to do engineering, traffic, geological and feasibility studies. We are still reviewing possible sites but I hope to have an announcement this year.

Like football and baseball, another of America's favorite pastimes is the movies—an industry which got its start in New Jersey 100 years ago. These days film and television companies have rediscovered New Jersey, thanks to the shrewd marketing of the New Jersey Motion Picture and Television Commission headed by executive director Joe Friedman.

A record 314 feature film and video projects were shot in New Jersey last year. That included 31 feature films, up from 18 the previous year. Among them was "The Color of Money" starring Paul Newman and Tom Cruise. Besides introducing New Jersey locales to millions of Americans, TV and film



companies boosted the state economy by more than \$18 million, an increase of 9.5 percent from 1985.

It became apparent last summer that New Jersey moviemaking was going big time when TV producer Danny Arnold leased the Jersey City armory and announced he was converting it into a state-of-the-art film studio. This is the first film studio here since before 1920 when the industry left New Jersey for the soundstages of Hollywood.

A record 314 feature film and video projects were shot in New Jersey last year.

Along with increased movie and television production we have experienced a rebirth of all the arts throughout New Jersey. Walk the streets of Hoboken, Lambertville or Princeton and you will find artist communities brimming with life. Stop in to Millburn's Paper Mill Playhouse and you will see why it won Showtime's Search for Excellence in the American Theatre Award last year. The arts are playing a major role in Camden's renewal as well.



Much of the credit for New Jersey's artistic rebirth is due to increased support from state government. Over the last five years, we have increased the state art council's budget from \$2.5 million to \$12.5 million. More than 90 percent of this money has gone directly to New Jersey performance and visual arts organizations, earning New Jersey the reputation as a leader in cultural affairs.

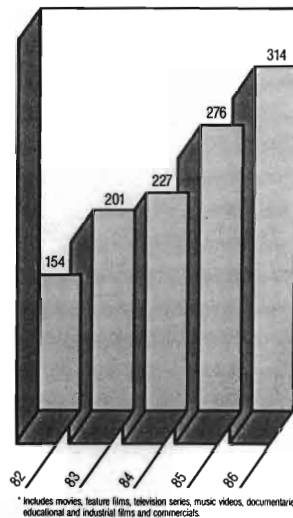
Art is flourishing here. But there is one thing the arts in New Jersey cry out

for and that is a centrally located performance center. It is doubtful New Jersey will become a true leader in the

Walk the streets of Hoboken, Lambertville or Princeton and you will find artist communities brimming with life.

arts without it. In December we hired a consultant to find an appropriate site. I look forward to the report because it will be the first step toward a permanent home for our state symphony, opera and ballet.

Production Projects



AGRICULTURE

What "New Jersey and You" has done for our tourism industry, "Jersey Fresh" has done for our produce. The "Jersey Fresh" advertising campaign which we started two years ago has been a huge success. Consumers are asking for Jersey-grown products more and more. And chainstore buyers tell us they will buy any fresh Jersey produce they can get their hands on.

A survey by the Gallup organization shows that chainstores in New Jersey have increased their use of Jersey Fresh produce from 12 percent in 1984 to 35

percent in 1986. And chainstore buyers say they expect it to increase to 41 percent next year.

The success of the Jersey Fresh program is very important. Since 1980 we have had a 10 percent drop in farm acreage and a 12 percent decline in the number of farms here. Much of our farmland—too much of it—has been sold for subdivisions and corporate campuses. I firmly believe it is in our interest to maintain a balanced, diversified economy. And that means keeping agriculture alive and well. If agriculture is to continue in the Garden State, we must do everything we can to help our farmers remain profitable.

Beside helping farmers increase demand for their produce, New Jersey has had success with its aggressive program to preserve its vanishing farmland. With the addition of Cape May and Camden counties last year, 16 counties have now joined our farmland preservation program.

About 100 landowners in 10 counties have enrolled more than 12,000 acres in the farmland preservation program. This land is limited to farming use for the next eight years, while 800 of the acres have been permanently preserved for agriculture. Another 2,000 acres are being appraised for permanent preservation. Our goal is the permanent preservation of enough New Jersey farmland to keep Jersey Fresh forever.

If agriculture is to continue in the Garden State, we must do everything we can to help our farmers remain profitable.

In the old days, many of our farmers sold directly to hundreds of nearby food processors. Few remain. Now we ship much of our produce to processors beyond our borders.

A revitalized food processing industry would go a long way toward keeping our farmers on their lands.



We believe we can again make food processing a thriving business here with a little hard work and salesmanship. Processing companies need to be shown that few states have the direct access to markets that New Jersey has, both home and abroad.

And with our new Center for Food Technology about to break ground in New Brunswick, we can offer food processors the latest in food preparation technology.

This year I want the agriculture department to make an in-depth study of

the food processing industry to see how we can expand the number of processors and increase the amount of Jersey produce they use.

One farm-based industry that has really grown over the last several years is horse breeding. New Jersey now has one of the finest horse industries in the nation, with an estimated horse population of 70,000, worth many millions of dollars.

To support this growing industry, the Department of Agriculture has developed the horse park at Stone Tavern

in western Monmouth County. The park is opened for previews now with the grand opening expected later this year. The many horse breeders in the area can show their horses locally rather than leaving the state. And the park solidifies New Jersey's reputation as a center for horse breeding.

The state labor department is also helping out the horse industry. Its Office of Customized Training is teaching unemployed workers to be horse grooms, a growing occupation statewide.

JOB TRAINING

New Jersey's growth and prosperity over the last five years have been tremendous. And I firmly believe that the aggressive way we are pursuing opportunities in foreign trade and high technology will insure jobs for generations to come. But as New Jersey moves into new industries, we must make sure we do not become victims of our own success.

In the past two decades many workers have lost industrial jobs to which they had given much of their lives. We cannot forget them. Nor can we forget the poor among us—who have been unable to get a secure foothold in the labor market. This would be near-sighted from an economic point of view.

You see, in New Jersey we are reaching a point where we have jobs but not enough people to fill them. In the next decade 600,000 new jobs will be created in New Jersey. Almost all of them will be in the private sector and more than half of them will require professional, managerial and technical skills. I see a time in the very near future when New Jersey companies will have difficulty finding workers with those sophisticated skills. If that occurs, businesses will have no alternative but to relocate. And that could be the bust of New Jersey's boom.

I am not prepared to let that happen and I do not think you are either. But that means we, along with the private sector, have to roll up our sleeves and get to work preparing New Jersey workers for the demanding times ahead.

Up to this point, state and federal programs have helped many displaced workers move to new jobs with as little suffering as possible. These programs have also helped the poor find employment.

The Division of Employment Services placed 70,183 people in jobs in fiscal year 1986—two-thirds of them minority group members. The Job Training Partnership program placed nearly 15,000 unemployed New Jerseyans in FY'86. The veterans' Intensive Placement Program began in Elizabeth and within nine months placed three-quarters of its participants. Refugees and welfare recipients have also been helped by our training and job-finding programs.

Especially successful has been our rapid response program to help dislocated workers when their jobs end. Experts from the Department of Labor and the labor unions act like battlefield corpsmen. They go right into companies about to close. They help process unemployment insurance applications, test workers for skills, decide if the workers need education and retraining, provide counseling and search for jobs. Over the last two years the rapid response teams have helped 15,000 New Jersey workers deal with changing lives.

The most forward-looking job training programs so far have come from the Office of Customized Training in the Department of Labor. That office helps businesses which want to expand, move to New Jersey, or just stay in operation to train their workers for new jobs. Dozens of companies, small and large, have taken advantage of our customized program.

Wheaton Glass in Millville installed new automated electrical equipment and signed a contract with the Office of Customized Training to teach its assembly workers the ropes. Ford Motor Co. asked Customized Training to develop a training center at its Edison plant, and we will end up training 100 workers in digital electronics, micropro-



cessors and robotics maintenance and operation.

We are proud of the efforts we have made to help workers whose jobs are

Over the last two years the rapid response teams have helped 15,000 New Jersey workers deal with changing lives.

threatened by plant closings or who lack the skills and education to get and keep a job. But we simply have to do better at equipping workers for the new jobs ahead. Demographics show that an increasing share of the work force will be poor and minority group members. It is these people who today are less likely to have the qualifications necessary to run a high-tech economy. We must make it our fervent mission to see that they have the right education and skills tomorrow, so that our economy remains healthy and all New Jerseyans can share in the state's prosperity.

Therefore, I am creating a cabinet task force on employment policy to de-

termine how we need to prepare the state's labor force for the jobs of the 21st Century. The task force will consist of the commissioners of Labor, Human Services, Education, Higher Education, Commerce, Community Affairs, along with the head of the Job Training Coordinating Council, representing the private sector. The Chief of Policy and Planning will serve as chair.

Over the next six months they must look at job training programs in the state and decide which ones work and which ones do not. The ones that do not must be replaced or improved. They must cut any duplicate programs and get the private sector much more involved. In short, they must design a strategy to fit our workforce for the jobs available in the future.

At the same time I am calling for labor, management and citizens outside government to work toward the same ends. I propose a group called the Labor-Management Collaboration in the Public Interest to meet the new problems of the workplace. I envision a commission of representatives from unions, corporations, the legislature and private citizens with myself as chair. Our mission will be to keep New Jersey economically competitive.

Right from the start, we must agree that the threat of an untrained labor force and competition from abroad supersedes any antagonism labor and management have toward one another. If we do not solve the problem of a skilled labor shortage, in a decade we will be arguing over crumbs, not a piece of the pie, as other states and nations outperform us. Labor and management have to find ways to train and retrain workers and design a productive workplace with the best interest of all at heart.

Further, we must find a way to tap New Jersey's vast human resources—the thousands of people who today are prisoners to a lack of education and training. Society as a whole is going to have to take a chance on groups out of

the mainstream. I am talking about blacks and Hispanics, the physically and mentally handicapped, welfare mothers and retirees. This is the right

If we do not solve the problem of a skilled labor shortage, in a decade we will be arguing over crumbs, not a piece of the pie . . .

thing to do. And it is the only way we are going to survive the coming job crunch and rise to the challenges of the global economy.

PLANNING

The coming jobs crunch is just one example of how tricky success can be. It is good for us to remember that prosperity is not a given, but a reward we must earn.

We must also remember that unfettered economic growth can create other problems. Our population continues to grow and spread out. New businesses and new residents are coming every day. More New Jerseyans need to use our roads, water supplies and sewers. They demand police protection, fire safety and high quality schools. Our record housing construction demands more and more land.

Development no longer respects municipal—or even county—boundaries. We realize that and have begun to take steps to give New Jersey a rational plan to govern development—a step few other states have dared to take.

We must get a handle on what is happening and where. More important, we must have some sense of what is likely to happen and how we can bring about what is best for the people of our state. Accordingly, I signed legislation last year that creates the State Planning Commission.

It is good for us to remember that prosperity is not a given, but a reward we must earn.

The Commission is made up of business leaders, environmentalists, county and municipal officials, as well as key state agency representatives and members of the administration. By July, the commission will release a draft comprehensive plan for the state's growth. I eagerly await the completion of the State Development and Redevelopment plan as a guide for land use in New Jersey well into the 21st Century.

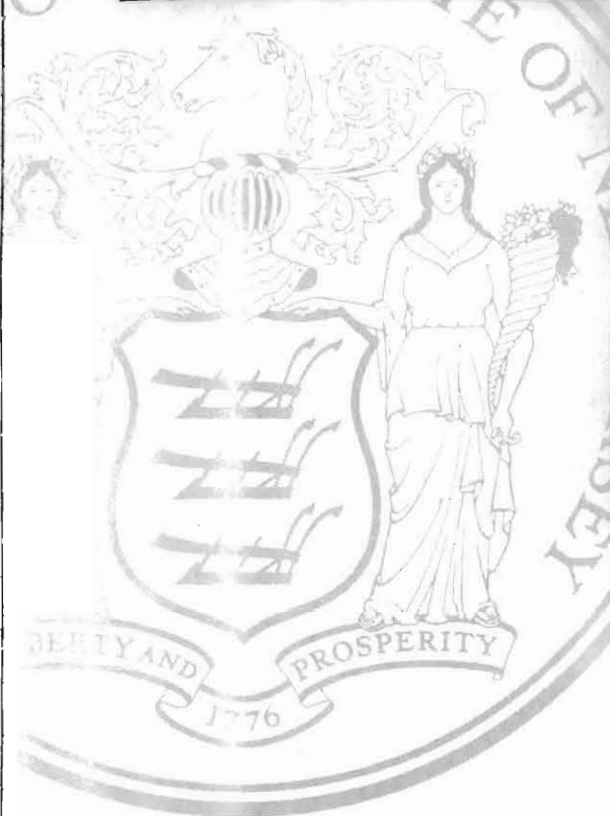
This will be an essential tool if we are to successfully manage our Opportunity Agenda. It will not, however, be a tool easily forged.

Our chief problem is how to balance the countervailing forces of growth and environmental protection. Farmers face pressures to sell their land, some of which has been held by one family for hundreds of years. Developers often covet upon spaces and environmentally sensitive areas for their projects. The burgeoning state economy and populations put increasing pressure on local and state officials to use existing space.

The Commission has the unenviable task of developing a plan that satisfies the different constituencies and makes good public policy for New Jersey. They must not only satisfy competing economic and social interests, they must also satisfy competing political interests. Despite these formidable obstacles, I am confident the Commission will develop an appropriate guide for our future.

New Jersey is unique. It benefits from the unusual bounty prosperity has given it. But this prosperity confers with it additional responsibilities to solve the new challenges this success brings. Whether it means retraining our work force or planning for the future we have untold opportunities before us. It is up to us to take advantage of these opportunities and conquer our challenges. I am confident that we will triumph in 1987 and continue to march forward.





If you ask people in Los Angeles what they know about New Jersey, chances are they will mention the Meadowlands, Atlantic City or the Turnpike.

Not many Californians realize that New Jersey has the longest unbroken stretch of beaches on the East Coast. Or that almost a fourth of our land lies within the borders of the Pinelands, the largest tract of open land east of the Mississippi River. And I bet no one would guess that we have more state-owned parkland than 48 other states.

The truth is that New Jersey is one of the most naturally diverse and beautiful states in the country. From the soft floor of the Pinelands to the craggy Kittatinny Mountains, from the sandy beaches of Cape May to the cliffs of the Palisades, we have a wondrous treasure of open land, waterways and forests. New Jersey is "America the beautiful," only smaller.

But possessing such natural treasures brings with it tremendous responsibility. Adlai Stevenson, in the last speech before his death, referred to the planet earth as a "tiny spaceship, its passengers dependent on vulnerable resources of air and soil." If the metaphor

is felicitous, then New Jersey is the tiniest spaceship of all.

We are the most densely populated state, and we have a proud industrial past. We now recognize that our vulnerable air, water, and open land require continuous care. Environmental challenges—and problems—confront New Jersey. If New Jersey is to continue her leadership in job creation, we must face these problems and overcome them. If we do not overcome them, they will overcome us.

That is why protecting the environment has been one of my top priorities as Governor. I am proud that after my five years in office, New Jersey is widely recognized as the leader among all the states in solving the complex problems of cleaning up hazardous waste, protecting people against exposure to toxic pollutants and paying for sewage treatment and resource recovery plants.

When it comes to protecting the environment, New Jersey takes a backseat to no one.

PROTECTING OUR NATURAL RESOURCES

Although we have moved faster than

any other state, we must do more. A clean New Jersey won't happen overnight or with one new program. It will take decades of constantly improving programs and creating new programs when others fail or new challenges arise.

This year I ask you to turn your attention to our most important natural resource: the Atlantic Ocean.

The ocean and shore have long been an important part of New Jersey. In the 1800's, the Shore was the center of fashionable America. Presidents Grant, Arthur and Harrison spent summers there. Today, the shore is a vacation spot for millions and the solid foundation on which rests our second largest industry: tourism.

New Jersey is "America the beautiful," only smaller.

Unfortunately, the ocean and shoreline are under attack. Dumping of sewage sludge and dredge material close to shore has created a patch of "dead sea" and endangered water quality up and down the coast. Garbage blown from the top of barges in New



York Harbor floats ashore on New Jersey's beaches as far south as Monmouth County. Waste treatment plants along the New York and New Jersey coasts operate below standards created to protect clean water. On land, there is continued pressure for development while the winds and waves of Mother Nature pound away at our shoreline, changing it in unforeseen ways every year.

Alone, each of these problems is significant. Together they provide a potentially disastrous threat to the future of the ocean and, consequently, to the future of our state.

In the past five years, we have begun to attack these problems. We have made progress.

Last year we started to end dumping at the 12-mile ocean site. By the end of 1987, all sewage sludge will be dumped at the new, 106-mile site. Our ultimate goal must continue to be to put an end to harmful ocean dumping.

... I ask you to turn your attention to our most important natural resource: the Atlantic Ocean.

Plans have been approved and financing is available to upgrade the eight major sewage treatment plants along the coast that are still performing what is called primary treatment,

which removes only 60 percent of the pollutants from the waste stream. By next year, we hope to have secondary biological treatment available at every plant, which removes a minimum of 85 percent of the pollutants.

This fall the state joined the town of Woodbridge in suing the city of New York to stop tons of garbage from falling into the Arthur Kill.

This past summer the Department of Environmental Protection (DEP), in conjunction with the Environmental Protection Agency (EPA) and county and local governments, greatly expanded monitoring of ocean water quality to weekly testing of 340 sites.

New Jersey is now the only state testing water quality along its shore with such intensity in tourist season. When test results are negative, beaches have been closed. The overall results showed that water quality was improved from 1985.

On top of this, we spent approximately \$6 million during fiscal year 1986 in funds from the 1983 Shore Protection Bond Act to rebuild local beaches. And communities are working on their own to control development, clean litter from beaches and make the shore more accessible.

These efforts are making a difference. Yet too many problems still exist and some are getting worse.

The overall problem is very simple: Far too many actors are involved in the shore drama. The federal government,

numerous state agencies and more than 100 towns and cities each have responsibility for everything from improving water quality to controlling development. No single agency has responsibility for the overall quality of the shore and the ocean. Just as too many cooks spoil the broth, too many government agencies can spoil the ocean.

In government, as in business, accountability is important. Someone has to be responsible for the success or failure of a particular policy. The diffusion of responsibility for protecting the shore and ocean leads to waste and duplication and the absence of accountability. Everyone is pointing fingers. No one is happy with the condition of our shore.

To solve this problem, I ask you to work with me this year to create a major new authority—the New Jersey Clean Ocean Authority—to have responsibility for all federal, state and local shore and ocean protection programs to fill in gaps in shore management.

The Authority should consist of representatives from county and municipal government, environmental organizations, developers and the general public. Its jurisdiction would be contiguous with the zone established under the state Coastal Area Facilities Review Act (CAFRA). One hundred and thirty municipalities would fall under its jurisdiction.

The Authority should have broad

powers in three areas: planning, regulation, and financing.

The CAFRA zone is exempted from the State Master Plan. The Authority should fill this gap by developing a shore master plan and working with local municipalities to gain compliance. The Authority should have the power to work with local communities to clean water, remove litter from beaches and to review land use ordinances and the financing of municipal programs.

The Authority will be New Jersey's advocate in regional or interstate disputes over issues like garbage and sludge dumping and disposal of dredged materials.

Finally, the Authority should have the power to collect fees for its services and to act as the funnel for all state and federal aid available to fund shore protection activities. The Authority should also have the ability to issue revenue bonds for essential projects which cannot be financed in any other way.

New Jerseyans want more than gleaming office complexes and spacious condominiums; they want a clean ocean to swim in, forests to walk in, and open fields to play on.

I realize this proposal will be controversial. I understand local and state officials will fear the loss of authority. I pledge to work with them and you to make sure that the Clean Ocean Authority reflects their interests. I ask you to do the same.

We must act now. As the poet Walt Whitman said 100 years ago, "It is the seaside region that gives stamp to New Jersey." The next five years are absolutely critical for our shore. Whether we solve our myriad problems will determine whether the "stamp" is clean and prosperous, or crowded, sullied and in decline. With a Clean Ocean Authority, we can put in place the system we need to protect the ocean not only for the next generation, but for

ourselves. Time is short.

There are two other pieces of legislation that must be passed immediately if we are to bequeath a clean and open New Jersey to our children.

The first is the Natural Resources Protection and Restoration Act, sponsored by Senator Bill Gormley and Assemblyman Anthony Villane.

As I said earlier, our shoreline is eroding. Every penny in grants is committed from the \$50 million 1983 Shore Protection Bond issue. Ten million in loans remain, yet we estimate that our coastal communities need millions more a year in shore protection work. This bill can provide this money.

In addition, this bill provides needed help in other areas of environmental concern.

Under the Green Acres program, for example, DEP allocates money to buy open land for recreation. Last year, DEP was only able to meet 25 percent of the demand for this money.

The Green Trust bond issue, approved in 1983, is almost depleted. Towns and counties have applied for over \$250 million, and only \$60 million has been made available. As a result, many New Jerseyans find it difficult to find a spot to launch a boat or pitch a tent for weekend camping.

Our parks and forests receive 8 million visitors every year. Yet we have

no money to keep them healthy and make them accessible. Spruce Run Park in Hunterdon County closed at 9:30 a.m. on some summer days because a large number of people wanted to visit. This bill provides money for the acquisition and maintenance of open space.

Our rivers and streams are in need of work. Some must be cleaned and cleared. Others need dams and tunnels to prevent flooding. Let us not forget the spring of 1984, when flooding in the Passaic River Basin caused more than \$200 million damage.

As originally written, the Natural Resources Protection and Restoration Act was projected to raise \$50 million a year to pay for some of the needs I have just outlined. The money would be used to rebuild the beaches at Barnegat, to buy open land in Pittsgrove or to protect the riverfront residents of Little Falls.

The money would be raised through an increase in the existing realty transfer fee, which is paid by an owner upon sale of a piece of property. I believe there is an unbreakable link between the health of our parks, shore and streams and the value of private property. New Jerseyans want more than gleaming office complexes and spacious condominiums; they want a clean ocean to swim in, forests to walk in, and open fields to play on.

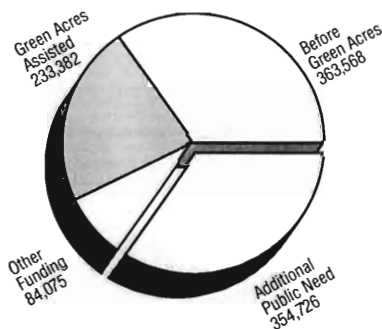




By putting all our natural resource needs together, Senator Gormley and Assemblyman Villane have recognized that all New Jerseyans benefit from the protection of every part of our natural heritage. This approach will avoid the regional conflicts which have doomed past efforts to protect the shore and other areas.

I ask the Legislature not to tie its own hands in this regard. Some years, the bulk of the money should be spent on shore protection. In others, on flood control or open-space acquisition. The Legislature ought to determine the priorities on a yearly basis rather than building a formula into the bill.

*Public Open Space
Supply And Need
Acreage Estimates As Of Dec. 1, 1986*



Estimated Public Open Space Required - 1,035,575 Acres

As of this writing, the Natural Resources Protection Act had been approved by the Assembly. Unfortunately,

ly, the bill had been amended to reduce the annual funding level to \$35 million by exempting new residential and commercial construction from the realty transfer fee increase.

We need at least \$50 million a year for everything from shore protection to flood control. Furthermore, exempting future construction contravenes the philosophy of this legislation, which is to have those who own private property shoulder some of the burden of keeping parts of New Jersey open, clean and free from development.

I hope that the Senate will agree with me on this principle and pass a bill with at least \$50 million for resource protection. We need the money badly.

While you are at it, I hope you will pass the Freshwater Wetlands Act, sponsored by Assemblywoman Maureen Ogden and Senator John Lynch.

Wetlands are in many respects the linchpin in our fragile natural ecosystem. They prevent flooding, filter pollutants from water supplies and are home to an enormous diversity of wildlife and vegetation.

For several years now, I have asked you to pass legislation to protect our fragile wetlands from haphazard development. Yet despite the creation of no less than 50 compromise versions of the Ogden/Lynch bill, not one has ever reached my desk. During the impasse, developers have continued to build and build and build. Thousands of acres of

precious land have disappeared. As a result, our wetlands, and our natural heritage are now threatened.

We cannot afford to wait any longer. I ask you to have a strong wetlands bill on my desk before the appropriations break.

We must act now, to preserve our ecological and natural balance for future generations.

SOLID WASTE

For more than a decade New Jersey has struggled to come to grips with the problem of what to do with the millions of tons of garbage we produce each year. Since I took office, my Administration's policy has been to aggressively enforce the Solid Waste Management Act, which gives each county the responsibility of devising and implementing a plan to deal with its solid waste.

Since 1981, we have closed more than 100 unsafe landfills. We have dramatically reduced the amount of garbage that comes into New Jersey from other states.

Regrettably, many counties have resisted making the tough political decisions required in finding sites for landfills and resource recovery facilities. As a result, for the first time in years, New Jersey is a net exporter of garbage to other states. And several of our eleven in-state landfills are almost full.

Over the next three years, we expect a dramatic shortfall in available landfill capacity. Some 25 to 30 million tons of garbage will be produced with no place for disposal within our borders.

In response, the Department of Environmental Protection will set up trash transfer stations which counties can use to send their garbage out-of-state. These steps are necessary in order to avert a crisis in which the only alternative is to leave garbage on street corners.

No doubt, this will be expensive. Dumping costs will more than double in many places. Unfortunately, political



recalcitrance has forced DEP to intervene in such a manner.

While the short-term is bleak, the long-term outlook is promising. I believe we are now laying the foundation for a responsible garbage disposal strategy for the next century.

The most important part of that strategy is the construction of resource recovery facilities to burn garbage safely. As a landmark report by the Alliance for Action confirmed last summer, resource recovery offers a safe, long-term solution to our garbage woes. These facilities can reduce the volume of garbage by 90 percent. When properly built and with sufficient environmental regulation, these facilities provide no threat to human health.

I believe we are now laying the foundation for a responsible garbage disposal strategy for the next century.

I applaud the handful of counties that have realized that resource recovery plants can be good neighbors and have obtained permits for construction. Last July, I stood in Oxford Township in Warren County and turned a spade of dirt to begin building the state's first major trash-to-energy plant. I hope to attend more of these ground breakings in the coming year.

My Administration remains com-

mitted to working with counties to expedite the permit process and to help raise the money to pay for these facilities. The Environmental Trust program, which you approved two years ago, will speed more than \$200 million to counties and local governments to be used for this purpose.

To help smooth the permit process, I am instructing the Department of Environmental Protection to create a group of Project Expeditors.

The Project Expeditors will lead local project sponsors through the often confusing interdepartmental maze and help them obtain loans and permits. Through the Project Expeditors, project sponsors will have access to the highest level decision-makers in each department to ensure no undue bureaucratic delays.

Municipalities should take advantage of the economic benefits that are available for becoming the site of one of these plants. Two years ago, you approved legislation, sponsored by Assemblyman Harry McEnroe, which gives host communities the power to negotiate unlimited benefits for siting facilities. The profits from these contracts can be used for any purpose, from building a local recreation field to buying new cars for the police department. I happen to believe we should reward municipalities for bearing the inconveniences caused by the siting of these desperately needed facilities.

The second part of the answer to our garbage dilemma is to increase the

amount of waste that is recycled and therefore never reaches a landfill or recovery plant. A workable mandatory recycling program, with proper incentives for marketing the recycled material, could reduce our waste stream by as much as 25 percent.

As this was written, the Assembly had approved mandatory recycling legislation, sponsored by Assemblyman Arthur Albohn, and Senator Paul Contillo and sent it to the Senate for concurrence. I hope the Senate approves this legislation immediately upon reconvening. Enactment of mandatory recycling will make New Jersey a trailblazer in yet another area of environmental protection.

TOXIC WASTE

The cleanup of abandoned toxic waste sites remains this country's, and this state's, most visible environmental problem. In 1986, New Jersey, as it has for the past decade, led the way in cleanup activity. And we took action to guarantee stable funding for our cleanup efforts for the next five years.

The cleanup of a hazardous waste site involves basically four steps: the identification of the site, a feasibility study to determine the best way cleanup should proceed, the actual engineering and removal work and, afterward, operation and maintenance to ensure that the site remains safe for perpetuity.

As of last October, we have started engineering or removal work at fully two-thirds of our 97 sites on the federal government's Superfund priority cleanup list. Feasibility studies have begun at all but six of the remaining sites. In addition, we have used state funds to cleanup another 57 smaller sites that do not qualify for Superfund designation.

Our program is so advanced that when Superfund lapsed last year as a result of Congressional bickering, we were able to make available to EPA



more than \$35 million to keep the national program in operation.

The long-term cost to the public of cleanup actions has been reduced considerably by the success of our Environmental Cleanup Responsibility Act (ECRA), which we put in place in 1983.

This program, the only one of its kind in the country, requires businesses to clean up all pollution on an industrial property before it can be sold or closed. In ECRA's three years of operation, over 230 industrial sites have been cleaned. The cleanups have ranged from simply washing oil off a stained factory floor to removing pollutants from 1,500 acres of contaminated soil and groundwater at an old oil refinery.

While ECRA is working, I am aware of legitimate complaints about the relatively slow pace of the process through which DEP certifies a property as "clean." Commissioner Richard Dewling has given priority attention to this problem and his improvements are showing results. I am pleased to report that during December 1986 DEP approved more ECRA applications than in all of the previous years. Commissioner Dewling will continue to work with concerned legislators like Assemblyman Albohn to find a way to further reduce processing time for applications.

We are approaching a critical stage in our toxic waste cleanup program. With

feasibility studies concluding, and more expensive engineering designs and removal of toxic waste well underway, we need more money than ever. That is why it was so vitally important last year that Congress passed a new Superfund law and that we approved a state hazardous waste financing package.

The new Superfund program is a dramatic improvement over the old law. The five year, \$9 billion national effort could mean as much as \$500 million in federal cleanup money for New Jersey over the next five years. I was particularly pleased by the compromise that shifted some of the cost of long-term maintenance to the federal government.

The final Superfund was a result of years of often very difficult compromise and negotiation. My thanks go to the entire New Jersey Congressional delegation for their tireless support of this legislation. President Reagan also deserves our gratitude for signing this law which is so important to our state.

The Superfund, existing state spill fund money and private contributions will pay slightly less than two-thirds of the cost for the work we expect to do at 229 sites over the next five years. The remainder will be financed by the \$535 million state environmental cleanup fund which I signed this past October.

As I said when I signed this legislation, I am concerned that too large a part of the cost is being paid by the

general public, and not by the industries that create the hazardous waste problems. I put my reservations aside because I believed it was important to place the \$200 million Hazardous Discharge Bond Act of 1986 on the ballot last November. I thank Senate President John Russo, Assembly Speaker Chuck Hardwick, Assemblymen John Bennett and Robert Singer and Assemblywoman Kathleen Donovan and Senators Dan Dalton, Bill Gormley and Paul Contillo for their good work on this most important issue.

We now face a new problem.

We must find a safe resting place for the tons of waste that are removed from hazardous waste sites and the new waste that industry produces everyday.

At this moment, we do not have enough hazardous waste disposal capacity within our borders. According to

We must find a safe resting place for the tons of waste that are removed from hazardous waste sites and the new waste that industry produces everyday.

provisions in the new Superfund law, if we cannot demonstrate that such capacity is being developed within three years, we could lose our federal funding.

That is why the work of the Hazardous Waste Siting Commission, chaired

by your former colleague, Pat Dodd, is so very critical.

In 1986, the Commission announced the eleven candidate sites for the placement of waste treatment and disposal facilities. Two sites have been eliminated through the selection process, and the Commission will narrow the field further in the coming year.

The Commission has conducted its analysis scientifically, professionally and with maximum public input. As elected officials, we have a responsibility to back their recommendations and educate the public about the need for safe waste disposal.

At the same time that we look for safe disposal sites, we must make every effort to reduce the production of toxic waste at its sources.

As Senator Bill Gormley argued persuasively, every ton of hazardous waste we reduce within the manufacturing process itself is a ton that eventually doesn't have to find its way into a landfill, incinerator or other disposal site.

In March of 1985, the Hazardous Waste Facilities Siting Commission adopted as state policy the philosophy that reduction, recycling and recovery of hazardous waste is preferable to land disposal. The Commission created a task force which will report next month on steps that industry can take to encourage these efforts.

I propose that we institute a hazardous waste fee program to support both the regulatory and enforcement compo-

nents of the hazardous waste pollution program, along with the costs of a hazardous waste minimization program. This mix will provide a real incentive to reduce hazardous waste generation.

The fee schedule would be graduated so that the more waste produced, the higher the cost. When combined with the high cost of disposal, the fee schedule would provide an incentive for waste reduction.

I am also proposing that a waste audit system be developed, to be implemented by trained and certified private consultants. We could improve the exchange of information on waste minimization technology through a new Hazardous Waste Advisement Program. What's more, DEP should revise and review regulations which would limit waste reduction efforts. We will work with Senator Bill Gormley to develop other direct financial incentives for generators which implement waste reduction programs.

We need a comprehensive approach to our hazardous waste problem, one that includes cleanups, regulation and source minimization.

Right now we are spending billions on hazardous waste cleanup and on regulating the storage and handling of hazardous substances. Yet we don't spend anything on programs to reduce the production of waste in the first place. A workable fee system will raise money for this purpose and provide more balanced funding for our entire hazardous waste program.

CLEAN WATER

Waste reduction and hazardous waste cleanup programs are designed ultimately to protect the quality of water that we drink. Clean water is really the lifeblood of New Jersey. Without it, our economy would stagnate and our state would suffer greatly.

A major threat to our water supply is posed by the presence of a great many substandard sewage treatment systems and septic tanks. Nowhere is the pressure of development more apparent than in our state's sewage treatment plants. Many have been unable to keep up with the building boom and are in dramatic need of expansion and upgrading. In fact, more than 250 New Jersey municipalities could face complete bans on new buildings by 1988 because their sewage systems are inadequate.

Two years ago we attacked this problem by putting in place the Environmental Trust program. The trust establishes an innovative, revolving loan program to help municipalities defray the expenses involved in improving sewage facilities.

The financial policies of the Trust have now been established, and we expect localities to be able to receive loans at 50 percent of prevailing interest rates. This will result in significant savings to our towns and cities and will allow us to stretch our clean water dollar further. Approximately \$300 million will be available for projects





qualifying for Environmental Trust funding in the next fiscal year.

Last year, we took a second step to clean our water supplies by enacting a new program to protect against hazardous materials leaking from underground storage tanks.

The new law, sponsored by Assemblymen James Zangari, John Bennett, and Byron Baer, and Senator Dan Dalton, requires businesses that store hazardous materials below ground to register with DEP. The owner must test the tanks on a regular basis and keep accurate records. If a leak is discovered, it must be fixed immediately before any contaminants leak to the surrounding ground. The new law includes a state-backed, low-interest loan fund to help defray the cost of repair for small businesses.

I should add that the money DEP needs to register companies and enforce this law will come from a fee paid by the companies themselves. This "user fee" concept is being used by DEP in a number of programs and is consistent with my belief that the regulated community should pay more of the cost of environmental programs.

Programs such as the Environmental Trust and leaking underground storage tanks try to stop water pollution at the source. Increasingly, attention is being paid to pollutants that do not come from one easily identifiable source, the so-called "non-point source pollutants."

These kind of pollutants come from a variety of sources, including storm water run-off, pesticides in rainwater that escape from farms, and even garden fertilizers. Eventually these pollutants find their way to aquifers or streams and rivers.

Last year, the DEP began a program to reduce non-point source pollution, particularly from storm water runoff, in eight counties by 1989.

I applaud the DEP's effort and ask that they expand it and work with concerned legislators like Assemblyman Villane to assist counties and municipalities in developing programs to clean storm drains, sweep streets and control other "non-point" source pollutants.

Another critical area in clean water policy is groundwater protection. Both the quantity and quality of this precious resource must be protected. In the past, as I mentioned, we have tried to protect groundwater by controlling pollutants from individual sources, such as sewers or toxic waste sites.

While this has a positive effect, these complex systems require a more effective strategy, beginning with identification of the aquifers that are threatened by either pollution or overuse. Once these critical areas are identified, we should work with developers and municipalities on strategies to control growth in those areas where water shortages may occur in the future and to protect water in areas where development may threaten its quality.

Already, the Department has identified two critical areas that need such protection. I am asking DEP to develop a comprehensive strategy for groundwater protection to be implemented across the state by 1988.

Clean water is absolutely essential to New Jersey's future. It is time that we move beyond the old approach of only controlling pollutants from specific sources such as sewer outfalls, and attempt the more difficult task of protecting our water supplies from all potential pollutants.

ON THE FRONTIERS OF ENVIRONMENTAL PROTECTION

The 1980's have been a decade of change in environmental protection. Issues that didn't even appear on the agenda in the 1970's have come to dominate the attention of policy makers and the general public. Invariably, as a new issue has emerged, New Jersey has taken the lead in finding solutions.

Clean water is absolutely essential to New Jersey's future.

Consider, for example, the problem of workplace safety. Our Worker and Community Right to Know Law, which I signed in 1983, is the strictest law in the nation. It requires the labeling of chemicals and ensure that people know about the potential dangers associated



with toxic chemicals within their midsts.

The tragedy in Bhopal, India, made the entire world cognizant of the dangers associated with an accidental release of dangerous, "air toxics." New Jersey responded first with Byron Baer's Toxic Catastrophe Prevention Act, which I signed one year ago. In the year since, DEP has begun working with private industry in reviewing the manufacturing of eleven acutely hazardous chemicals, such as phosgene, the poisonous mustard gas used in War World I. Where potential safety problems exist, DEP and the manufacturer will correct them.

The Toxic Catastrophe Prevention Act and the Right To Know Law are examples of proactive environmental legislation. They prevent problems before they occur. Their success is evidenced by the headlines you will never read—headlines about a chemical accident in which New Jerseyans were injured.

When high levels of radon, a naturally occurring radioactive gas, were discovered in some parts of New Jersey, Assemblyman Richard Zimmer and Senator John Dorsey responded with legislation to begin a \$4.2 million, 18-month program to evaluate exposure levels. For the past few months, the DEP has been testing buildings throughout the state. The information the Department acquires will make it easy to perform the relatively inexpen-

sive remediation techniques necessary to reduce exposure to radon to acceptable levels.

I am proud of New Jersey's leadership in each of these areas. But our world is constantly changing, and our environmental challenges change with it. Now it is time to move on to the next environmental frontier.

In this message last year, I called for the establishment of an Environmental Health Risk Assessment Program, to be administered jointly by the Department of Health and the DEP. Senator John Dorsey has sponsored the legislation creating this program. It deserves your immediate approval.

In the past, government and the general public have shown a tendency to lurch from one environmental crisis to the other. One day we respond to toxic pollutants in the air, the next day to contaminated water leaking from a Superfund site, a day later to radon seeping into a basement.

To many, this sometimes seems like a plot from a grade-B horror film. The only way to save ourselves is to lock our doors and stay away from everything.

That is not necessary. What we need is a rational, scientific way of measuring the relative threat to human health posed by exposure to different pollutants. That is what the Health Assessment Program will do. It will provide a scorecard from which we can determine, for example, how dangerous radon really is to human health or how

dangerous a particular chemical is that factory officials tell us is harmless.

This information is important for two reasons. First, it will allow us to determine which control strategies will have the greatest impact. For example, we can surmise that cleaning up Superfund sites will do a lot more to protect people than remodeling every basement in the state to reduce radon. Knowing these trade-offs will allow us to spend taxpayers dollars much more prudently and effectively.

What we need is a rational, scientific way of measuring the relative threat to human health posed by exposure to different pollutants.

Good health risk assessment can make environmental protection more sophisticated and effective. But we need two more programs to make it work very well.

The first is sound environmental monitoring. Right now, the scientists who conduct health assessment studies primarily use information gathered from what is called, "regulatory-based monitoring." We measure the quality of the water as it emerges from the pipe coming out of a manufacturing plant or the air quality coming out of the



smokestack, instead of on the pathways to human exposure.

That method does not provide enough relevant information for policy makers to do their jobs. This year, I ask you to approve a relatively small, Environmental Monitoring program. The program will evaluate broad environmental "vital signs," such as overall water quality, air quality, or the health of various animal or wildlife populations.

This information will allow us, at last, to measure the total impact of our environmental and public health pro-

grams on the world around us. Without it, we are like a man driving blindfolded down the Turnpike. We know things are going well because we have not heard a crash. But we cannot prove it, and, what is more, we do not know which way to turn to make sure we do not hit anything.

Environmental monitoring and risk assessment are two parts of what I call the new frontier in environmental policy. But we need a third program to make the other two work.

There is an old story about a parachutist who landed in the middle of an

open field in South Jersey. Slightly dazed and confused, the fellow wandered around until he came upon a guy in a white lab coat.

"Where am I?" the parachutist asked. "You are in the middle of a field," came the response. "No kidding, you must be a lab technician," the parachutist replied. "That information was completely accurate and totally useless."

When it comes to environmental protection, the public too often knows how that parachutist feels. All the information gathered at stream banks

and assessed in laboratories may be painstakingly precise but is useless if it cannot be communicated to the general public.

That's where Project Teach comes in. Under Project Teach, teams of physicians, public health workers and health educators would go into a local community where a problem such as radon has been discovered. The team would work with the laboratory and the community to evaluate the health threat and communicate its consequences, and suggested responses, to local residents.

The team would provide answers to simple questions like what impact will this substance have on my chances of getting cancer? Or, is there a danger of birth defects?

By getting involved early, Project Teach would mobilize resources early when significant problems can be averted. It would marry science with community relations.

The best way to think of Project Teach, Environmental Monitoring and Health Assessment is like the old baseball double play combination, Tinker to Evers to Chance. Alone, each of these three programs is valuable. Together, they provide an unbeatable combination.

Science and technology have given us things like cameras, pesticides and life-saving medicines. Unfortunately, the manufacturing of these products

produces hazardous by-products that threaten our air and our water.

Through risk assessment and related programs, we can harness the creative energy of technology to help clean New Jersey. We can put science to work for human health.

That is important. Because accurate, sophisticated and easily communicated scientific information is needed to combat what many think is the most intractable problem our state faces in the next 20 years—a problem that goes by the relatively innocuous acronym of NIMBY—the Not In My Backyard Syndrome.

Through risk assessment and related programs, we can harness the creative energy of technology to help clean New Jersey. We can put science to work for human health.

If 1985 was the Year of the Environment in New Jersey, 1986 was in some respects the year of the environmental protest. Speculation about possible sites for landfills, toxic waste disposal plants and radium contaminated soil provoked demonstrations in every corner of the state.

But the NIMBY syndrome is by no means limited to environmental issues.

Decisions to locate AIDS clinics, half-way houses for retarded people, prisons, or even park and ride facilities produce similarly stubborn resistance.

I sympathize with these concerns. No one wants his or her house located in the same town as a prison or a hazardous waste recycling plant.

But if New Jersey is to move smoothly in the future, we must find some rational procedure for siting these needed facilities.

The NIMBY syndrome is primarily the result of poor communication and an ability to understand the risks posed by certain facilities. But it is also a result of the failure to understand the risks of not siting these facilities.

The first responsibility lies with state government. We must make a solemn and ironclad vow to keep all political considerations out of siting decisions.

We must make every effort to base decisions on completely objective criteria. And we must be willing to share all information with the public and to involve the public in the actual decision-making process.

When mistakes are discovered or legitimate suggestions provided, we should incorporate that local input into our planning.

That is where programs like environmental health assessment and Project Teach come in. State government agencies involved in siting non-





environmental facilities, such as half-way houses, should follow the same philosophy and include the public in the decision-making process.

But that is not enough. As elected leaders, we have a responsibility to look beyond the borders of our own districts and examine the needs of the state as a whole. We must not blindly respond to the demands of our constituents for entitlements, but educate them to the need for sacrifices as well.

We must make New Jerseyans understand the cost of the gridlock that extends from NIMBY. If we cannot site resource recovery facilities, garbage will pile up in the streets. If we cannot find a safe burial ground for toxic waste, then our industry will come to a standstill and thousands of jobs will leave the state. If AIDS clinics cannot be built, then we have no alternative but to place these patients in regular hospitals. The resulting tension would tear the fabric of our New Jersey family.

We cannot close our eyes and hope these problems will go away. We cannot expect other states to help us. Indeed, because of demographics and geography, New Jersey must confront these very real and difficult issues before other states.

When a farmer named Thomas Jefferson wrote the words "we the people"

over 200 years ago, he did not know about hazardous waste disposal, or AIDS clinics or park and ride facilities. But he did know that a democracy can-



not survive without an educated, informed and responsible populace.

In 1987, I ask you to join me in making a priority of educating the people we

represent about the insidious nature of NIMBY. I ask you to speak, quite frankly, about the sacrifices required of those of us who are fortunate to live in this great state.

As elected leaders, we have a responsibility to look beyond the borders of our own districts and examine the needs of the state as a whole. We must not blindly respond to the demands of our constituents for entitlements, but educate them to the need for sacrifices as well.

I ask you to consider providing compensation for siting controversial facilities. Communities should benefit from siting resource recovery facilities and their willingness to take on other societal responsibilities.

And to the concerned people who staff our citizens' organizations, I have a special plea. Your input is needed. You are the force that keeps government honest and free of arrogance.

But it is not enough anymore to simply say no to a proposal. If a resource recovery plant does not belong in a particular town, say so loud and clear.

But say also what you would do with the garbage. The path of political leadership does not lead along the top of a fence. You too must recognize the much larger cost of paralysis.

We are very fortunate here in New Jersey. For the past few years, we have enjoyed economic growth and development that is the envy of virtually every other state.

But we must understand that growth brings with it enormous responsibility—to protect the air, water and

land for the next generations of New Jerseyans.

In the past few years, we have confronted environmental challenges almost bewildering in their complexity and diversity. From hazardous waste to radon, we have met each challenge and become leaders for the nation.

Now other challenges loom on the horizon. We must stop the degradation of the shore and the ocean. We must protect our wetlands from haphazard development. We must mobilize sci-

ence to help clean the environment and we must find homes for the resource recovery facilities and hazardous waste disposal sites that we need so desperately.

It will not be easy. But the sacrifices required of us today are nothing compared to the cost our children will pay tomorrow for our inaction.

In the year ahead, let's move another step forward toward our ultimate goal of making New Jersey the cleanest state in the union.



When we talk about an Opportunity Agenda, when we talk about making a better New Jersey for our children, no issue is more important than education.

In this message I have spoken quite frankly about the challenges facing this state. I have told you of the need to prepare our workforce for a changing world economy. I have mentioned the need for leadership in deciding where to site unpopular facilities such as prisons or toxic waste recycling plants. I will soon propose plans to help empower our urban poor through private enterprise and reform of our welfare system.

Each solution I am outlining will fall short unless we improve our schools. Education is at the heart of our efforts to make New Jersey the opportunity state. All other issues depend on our ability not just to repair the schools, but to completely rebuild them.

Four years ago I unveiled a blueprint of education reforms that was, I believe, innovative, prescient and wide-ranging.

During the ensuing years, we put our reforms in place and we improved them.

We are involving every part of our education system: teachers, students, principals, school administrators and the local communities.

We have established programs that will prepare our schools for the challenges of a new century.

It has been an ambitious agenda and we are making progress. Other states, other legislatures, are turning to us for leadership.

All other issues depend on our ability not just to repair the schools, but to completely rebuild them.

It is tempting to conclude that we have done enough and bask in the praise of our neighbors. That is dangerous. As Robert Kennedy once said, "progress is a nice word, but change is its motivator, and change has enemies."





Our biggest enemy right now is a complacent acceptance of our recent success. The challenges our schools face are still daunting. Improving our school, like protecting the environment, requires constant attention and continuous energy and imagination.

In 1987 we must build on existing reforms. We must learn from them and use these lessons to improve relations between teachers and administrators, ensure the quality of the people who administer school budgets, and find jobs for graduates of city schools who want to work and are qualified, but do not know where to look.

TEACHING

As I have said so many times before, any effort to improve our schools must begin with teachers.

As a former teacher myself, I happen to believe teaching is one of the most noble and important professions.

I have seen the proud smiles on children's faces when a teacher tells them they are pretty good at French or history. I have seen more than one teacher take a bright but struggling child and put him on the road to a proud and accomplished life.

My respect for teachers, and my belief in education, motivated me last year to take the lead on three, major national education reform groups: the Education Commission of the States (ECS), the Carnegie Forum Task Force on Teaching As a Profession and the National Governors' Association's Task Force on Teaching.

As I worked with those groups, as I talked to the country's education leaders, and as I listened to the views of teachers themselves, I concluded that the teaching profession is poised for a dramatic renewal.

Teachers want respect and they want

... I happen to believe teaching is one of the most noble and important professions.

rewards for their work. Teachers want and deserve the qualities of a real profession.

In return, teachers must offer a commitment to the very highest standards of performance. They must be willing to take the responsibility that falls on the shoulders of other professions.

I am convinced of something else. I am convinced New Jersey is on the right path to return teaching to its rightful place among our most valued professions.

The New Jersey plan is based on the four R's: recruitment, recognition, reward and renewal.

First, recruitment. At the start of this decade, several education leaders predicted that this country was on the verge of a huge teacher shortage.

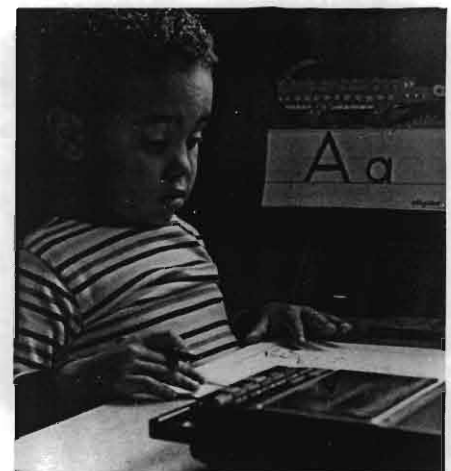
The crisis was not really one of quantity, as much as quality.

It was predicted that as older teachers retired, good teachers left for other jobs, and enrollment in college education continued to decline, school districts would have a tough time recruiting people to lead their classrooms.

The only response, it was feared, would be to lower teaching standards even further and let virtually anyone teach.

In New Jersey, we rejected that approach. We decided to recruit good teachers through increased pay and other financial incentives. At the same time, we decided to raise standards for teachers. We believed that teachers, like any other professionals, want to know that entry into their profession is restricted to talented, competent people. If we were to set high standards, we felt we would attract more good people.

The minimum salary legislation which took effect in September 1985 was the cornerstone of my plan to improve the attractiveness of teaching as



a career. The legislation, sponsored by Assemblymen Joseph Doria and John Rocco, and Senator Matthew Feldman, required that every new teacher in New Jersey receive at least \$18,500 a year. Before passage of this law, the average salary of starting teachers was just above \$14,000.

I am convinced New Jersey is on the right path to return teaching to its rightful place among our most valued professions.

We have also begun to attract top high school students to teaching by offering "Governor's Teaching Scholarships," which makes loans available in amounts up to \$30,000 for talented high school seniors and college students who agree to teach after they graduate.

If a student teaches for four years in an urban district, or six years in any other school district, the entire loan will be forgiven.

Last spring we loaned money to 100 talented scholars and this year we hope to add another 167 students to the program. With the increased cost of a college education, the Governor's Scholars program can make teaching a much more attractive career. I thank Assemblyman Rocco for his constant support of this idea.

One of a teacher's most important functions is to act as a role model. I believe it is important that black, Hispanic and other minority New Jerseyans have good people they can identify with at the front of the classroom. What is more, schools are the mirror of our society. In New Jersey, a state that is a patchwork quilt of ethnic diversity, schools should reflect that diversity. That is why we are making a special effort to recruit minority teachers.

Last summer we began a program at Jersey City State College that gives talented minority high school juniors the chance to sharpen the skills they will need to succeed in college. Like the Governor's Teaching Scholars, these teaching candidates will be eligible for

loans of up to \$7,500 a year during their college careers.

As I said earlier, at the same time we are increasing financial rewards for teaching, we are raising the standards for teaching as a whole.

First, and most important, we have established tougher standards for training and licensing for all teachers. Candidates must hold a bachelor's degree and now pass standard competency tests in their subject areas.

We have raised academic standards in teacher training programs. We have attempted to define what teachers need to know to do their jobs, how they can obtain the skills and knowledge they need, and how we can measure their performance.

We reduced the number of required education courses to give students more time to concentrate on the subjects they will actually be teaching. At the same time, we required prospective teachers to study the essentials of fine teaching, as identified for New Jersey by Dr. Ernest Boyer, the President of the Carnegie Foundation for the Advancement of Teaching.

Our teacher education programs have improved. Now they face new challenges.

They must build a better partnership with public schools, because, after all, it does no good to train a great teacher

if that teacher is then "broken" by a poor school environment.

And teacher-training programs must work more closely with other parts of our college and university system. Both can learn from each other. They must also face the difficult question of how to recruit more minorities into teaching without lowering standards. And finally, they must explore the idea of more graduate-level training for teachers.

These are all difficult issues. I am confident those involved in teacher education will face them head on.

At the same time that we are improving teacher training, we have done away with something called "emergency certification," under which schools would respond to teacher shortages by lowering standards and hiring virtually untrained people off the street and place them in the classroom to sink or swim. Too often, the only people who drowned were the students.

Instead of emergency certification, we have turned to an alternate route to teaching certification.

The first program of its kind in the country, the Alternate Route, taps a new reservoir of talent—hundreds of people in local communities with the ability to bring vitality into our classrooms, but who lack the required education courses for certification.



An Alternate Route candidate must be as qualified and undergo as demanding a training program as do most of the graduates of our toughest traditional certification programs.

The program has already been a tremendous success. As of June of last year, 184 new teachers had been hired by 70 school districts and nine private schools in 19 of New Jersey's 21 counties.

One out of seven of our new teachers is now coming through the Alternate Route.

These are people like Gaylord French, a former Director of the U.S. Navy Band and university music professor, who is now teaching music to students at Montclair High School. Or Nancy Pfeil, a former chemical engineer with the Exxon Corporation, who now teaches math at a high school in Sayreville.

So far, the scores of Alternate Route teachers are significantly higher than traditional teaching graduates on the National Teacher Examination.

We have improved teacher certification; now we must move forward. Last year, my colleagues and I at the Carnegie Forum on Education and the Economy called for the establishment of a National Board for Professional Teaching Standards to determine basic subject matter competency for teachers and to establish a nationwide system for certifying teachers.

The first program of its kind in the country, the Alternate Route, taps a new reservoir of talent—hundreds of people in local communities with the ability to bring vitality into our classrooms. . .

This is a very good idea, one that can pull the teaching profession into the 21st century. I believe this kind of board can provide teachers with an extraordinary opportunity to speak out on the value of their profession. I want New Jersey to take the lead in its formation. In the coming year I will again

ask New Jersey's teachers, administrators and board members for ideas to make the board work to raise the teaching profession to its proper heights.

Increased standards and pay are working to bring more qualified New Jerseyans into the teaching profession. At the same time we are working to keep our good teachers by recognizing those who do a good job.

We have established the Governor's Teacher Recognition Program. Last May, I invited 1,300 teachers from 350 school districts to a convocation at Princeton on excellence in teaching. The home district of each teacher who attended was awarded a \$1,000 grant to be used for an education program that the teacher favored.

We have tried to bring the twin concepts of recognition and reward together through our teacher grant program. We know good teachers are constantly coming up with better ways to motivate students and improve learning. So we are providing 30 grants of \$15,000 to teachers who use the money to share their ideas with interested colleagues around the state. Imitation is the best form of flattery and this pro-

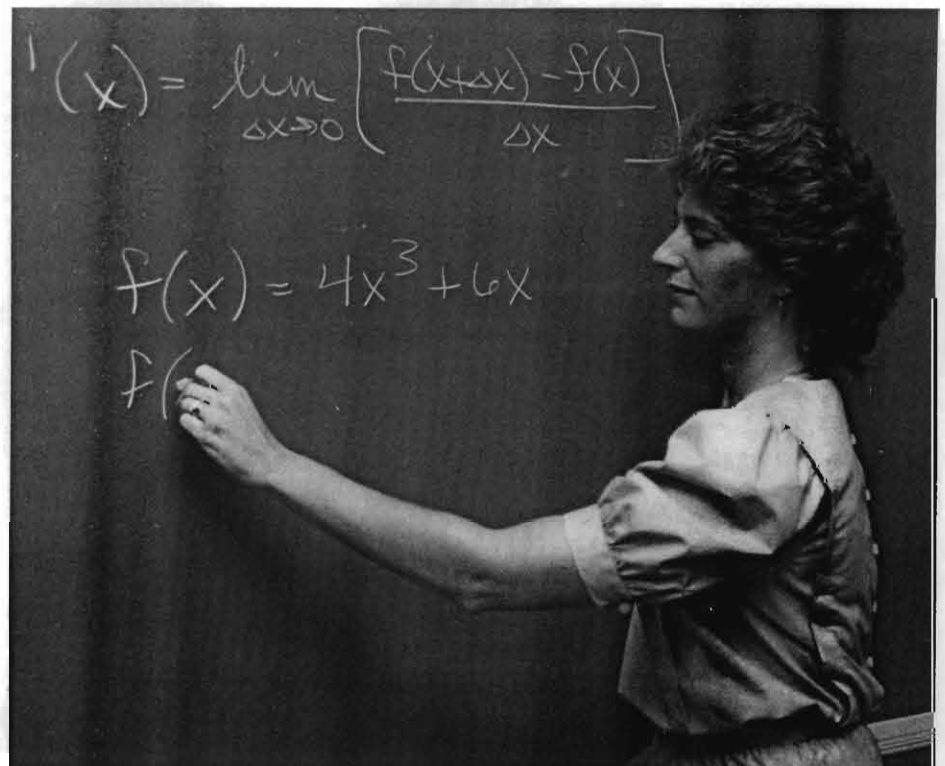
gram lets our best teachers use their talents far beyond their classrooms.

The final part of our strategy to improve teaching is to give our best professionals a chance to renew themselves—to recharge their professional batteries—and to constantly learn ways to improve their performance.

Our Academy for the Advancement of Teaching and Management will enter its third year in 1987. The Academy not only provides instruction in successful teaching techniques, it gives teachers and administrators the opportunity to meet and share their ideas about ways to improve the schools.

As of June of last year, more than 1,500 New Jersey educators had been through the Academy. The program is universally praised by participants.

Our four-pronged strategy of recruitment, recognition, reward and renewal is starting to pay dividends. At a time when many other states are scrambling to find even minimally competent teachers, New Jersey experiencing an upsurge in the number of qualified professionals who want to join and remain in the teaching ranks.



STUDENTS

Successful reform of our education system does not end with programs to improve teaching. If we are to prepare our students for productive and fulfilling lives, we must raise standards and expectations for them as well.

We have all heard the figures about American students' performance. A study by the National Assessment of Education, for example, found that only two out of five students could draw inferences from a set of facts. Only one out of seven could write a good essay. In 1972, 64,000 young people had verbal scores above 65 percent on the Scholastic Aptitude Test, by 1982 that figure was cut to only 29,000.

Who pays for this failure? Business shoulders a substantial part of the direct cost. As David Kearns, the President of Xerox, has argued, American businesses are increasingly involved in "product recall work" with their employees. More than a million new workers hired in this country every year lack the basic skills to read and write. Teaching these skills will cost American industry \$25 billion a year.

We all pay for this failure indirectly, not only in a less productive workforce and a declining standard of living, but because people are unprepared for the responsibilities of living in a democratic system.

In New Jersey, we have said "enough." We have said that no longer will we pass the schools' failures along to business, the military and the rest of society. We have said that a high school diploma should mean something. Specifically, it should mean that a student has at least the basic ability to read, write and calculate.

Last year was the first year of our new High School Proficiency Test (HSPT).

The new test, first administered in the ninth grade, is now a requirement for anyone who wants to graduate from New Jersey high schools. It measures a student's ability to interpret reading passages, solve multiple-step math problems and write a coherent essay.

The test is much more difficult than its predecessor, the Minimum Basic Skills Test.



In the first year, the results showed some promise. Student performance on both math and reading was improved by better than 15 percent since the test was first administered on a demonstration basis three years ago. There has been a significant decline in the number of urban students who failed at least one part of the test.

Some have said this is cause for celebration. They are wrong. Stop and think what these results mean. They mean that more than one-third of our high school students still cannot read or write at a ninth grade level. In our cities more than one-half cannot meet this standard.

This is no cause for celebration. It is further evidence of the long road we face before we can brag that New Jersey schools are doing even the basic job required by our changing economy.

The state must help our schools along this road. Our policy is not to set standards and then leave local school systems to fend for themselves. Our Department of Education has put in place programs to provide schools with curriculum guides, to train teachers and to run a summer program for students in select, mostly urban districts, who need extra preparation for the test.

We have expanded our compensatory education program. This year we will provide local school districts with \$158

million to pay for remedial programs to help prepare for the test.

And last year we introduced a new, basic skills improvement program.

The program is a departure from the philosophy of traditional skills programs. In traditional programs, the more students there are in a school's remedial skills program, the more money the school receives from the state.

While we will shortchange no one under the current law, our new program attempts to provide incentives for passing students out of remedial education quickly. We reward success and give schools an incentive to improve student performance.

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should mean something.*

We are also helping students with limited proficiency in English reach the high standards. Bilingual students who enter New Jersey schools after the ninth grade are allowed to take the test in their native language. Students who enter before eighth grade, however, must pass the test in English. By 1988, even the former group will be required to pass a test of English fluency before they graduate.



I am proud that our new standards are finally in operation. I believe that parents across New Jersey will rest easier knowing the diploma their child clutches at graduation is symbolic of at least basic education competency.

We cannot stop here. As Winston Churchill put it, "this is not the beginning of the end, this is only the end of the beginning."

Therefore, I am asking Commissioner Saul Cooperman to begin studying the feasibility of a new HSPT that would be administered closer to graduation, perhaps in the eleventh grade.

We must remember that our ultimate goal is to make every diploma from a New Jersey school a symbol of competence and achievement, not just at the ninth grade, but for the student's entire 12 years of education.

An art teacher told me a story last year about a boy in junior high school who was constantly yelling, making faces and trying to disrupt the class. When these attempts at gaining attention failed, the youngster decided to glue two erasers to his ears like earrings. He overlooked one small detail: he used a super adhesive glue, and he had to be taken to the hospital to have the erasers detached from his body.

The story may be amusing, but student misbehavior is a very serious problem. We know that if a violent student is around, teachers are forced to pay attention to him or her and ignore the rest of the class.

Working with local school districts, the state has helped develop strict codes of conduct for behavior in New Jersey schools.

The Department of Education awarded six competitive grants to 17 school districts last May to pay for pilot projects to develop alternate programs for disruptive students. These programs allow us to remove troublesome students from the classroom, and still meet their special education needs.

As we raise graduation standards and improve the school environment, we will find more and more of our city high school graduates are ready to become productive members of the workforce.

Our problem then becomes a relatively new one. How do we match meaningful, private sector jobs with students who have the skills but do not want to go to college? This is an especially big problem in our cities, where job opportunities are not readily available.

In New Jersey we are fortunate. Our strong economy has created a dynamic labor market. Many employers are unable to fill entry-level positions. Our task is to match qualified high school graduates with employers.

Today I propose we adopt a program, called 10,000 Jobs/10,000 Graduates—to help place 10,000 graduates of New Jersey urban schools in full-time jobs in private industry by 1992.

The program will work this way. Our Department of Education will work with major employers in cities or sur-

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rounding suburbs to identify all the entry-level jobs that are available. The Department would survey major corporations as well as the myriad small businesses with which they work.

The Department would provide that list to urban schools which would make it available to students. In addition, we would work with districts to establish special courses in employability skills, on top of the basic skills learned in preparation for the HSPT.



How does business gain? They get an inexpensive pool of available labor at virtually no recruiting cost. What is more, they get qualified employees who do not need retraining or remedial education. We will guarantee it.

Too many of our urban youngsters do not succeed because they do not seek a job at the end of high school and they choose instead to ignore their studies, goof off or perhaps get involved with drugs, believing they can make money that way.

Ten Thousand Jobs will help these youngsters find a job. A first job is just the opportunity they need to send them onto a lifetime of successful employment.

Ten Thousand Jobs meets the employment needs of students who have been ignored. There are also two other groups of people whose needs our education system cannot afford to ignore: illiterate adults and talented youngsters.

Approximately 14 percent of New Jersey's adults are functionally illiterate. That is more than the one in 10 people who when they go into a restaurant order hamburger every time because they cannot read anything else on the menu. That is more than the one in 10 people who go on a job interview and are not able to fill out the application.

Where do these people come from? Some, sadly, are high school graduates who never learned to read. Others are immigrants. Others are older, New Jerseyans who never had the opportunity to attend school beyond the eighth grade.

These people are not organized, they do not cry for help and most of them are too embarrassed to admit their handicap. Yet their handicap precludes them from getting a job or participating fully in our society.

The federal Department of Education launched a national campaign—called Project Literacy U.S. (PLUS)—last fall to increase awareness of the illiteracy problem and to try to find some way to combat it.

The program will attempt to cultivate a vast network of volunteers to deal with illiterates the only way possible: on a one-to-one basis. Three New Jersey corporations, led by the Department of Education, are being enlisted to recruit a network of 100 employees to serve as literacy tutors. Each tutor will be responsible for teaching one illiterate person to read.

During the first three years we hope to reach 1,000 people. After that, we hope to replicate the program in every church, every service club and every civic organization from Cape May County to Warren County. Every New Jerseyan who can read is a potential literacy tutor.

This program will rise or fall on the strength of volunteerism. As the president of the National Literacy Volunteers of America said, our program has the most potential of really making a difference.

Ben Franklin once described the most pitiful condition of humanity as "a lonely man, on a rainy day, who does not know how to read." We want to try

and make sure that there are fewer men and women in this pitiful, lonely condition in New Jersey.

Illiterates are often at the bottom of the ladder economically and socially. Extremely talented youngsters may be at the top, but they can feel just as lonely. These youngsters' frustration comes from attending classes that do not satisfy their curiosity and can cause them to lose interest in education altogether.

Four years ago, we established the first New Jersey Governor's School program, to give 100 talented high school juniors the chance to spend a month each summer studying an advanced area of subject matter.

Today we have three schools in operation: the school in public policy at Monmouth College, the school in science at Drew University, and the school in the arts at Trenton State.

The program is an unalloyed success. Every year I visit these campuses and I am deeply impressed by the atmosphere of learning and friendship. I receive a number of letters from students who claim the experience has changed their lives for the better.

Last year, I announced the creation of an independent Board of Overseers, chaired by Alex Plinio of The Prudential Insurance Company of America, to oversee the Governor's School program and recommend improvements. I hope this Board will give the program the

kind of outside support it needs to survive and expand. I ask you to follow the Board's recommendations.

EDUCATIONAL LEADERS

We have a panoply of initiatives in place to improve the teaching profession and the quality of our students. Now we are turning our attention to the people who actually run the schools—the principals, administrators, school board members and state and local officials who determine a school's direction and its day-to-day operation.

Last year I had the opportunity to talk in great detail to leaders in these areas. I concluded that, like teachers, they are ready for a restructuring of the school environment to promote learning and achievement.

Our efforts started in our own backyard, when, in 1983, we streamlined the operations of the Department of Education. The results of that reorganization were praised last summer by the American Society for Public Administration and cited as a model for other states and organizations.

We are paying special attention to urban schools, because we realize that schools must be good if we are to convince people to live and work in our cities.

The Urban Schools Initiative consists of two parts. First, a pilot program with three school districts—Trenton,



East Orange and Neptune Township—to improve basic skills, increase student attendance, reduce disruptive behavior and make principals more effective.

Second, a broad-based program to improve education in 53 urban schools. This month the Department of Education will release the initial evaluation of that program. We have made progress in some areas and we have found problems in others.

But our overall philosophy will continue to be to give urban schools the tools they need to help themselves.

Through research, educators have found strong leadership and the cohesive involvement of teachers, administrators and school board members make schools work well.

We awarded grants to 17 rural, urban and suburban schools last May to implement programs based on this “effective schools research.” These schools will serve as demonstration centers for other schools throughout the state.

Last year in this message I called for legislation to allow the state to intervene in the operation of school districts that consistently fail to meet the state certification requirements.

This idea has provoked an emotional debate among teachers, parents and concerned citizens. Some have cautioned that this effort is unnecessary, that it is a refutation of home rule and that it is discriminatory.

... our overall philosophy will continue to help give urban schools the tools they need to help themselves.

In response to these critics, I offer the testimony of Priscilla Petrowsky, Yvonne Hatchett and Marilyn Roman, three Jersey City teachers who defied the orders of their union and their school board to tell you horror stories about corruption and mismanagement and neglect in our urban schools. When asked why they risked their careers to support this bill, their answer was simple: “We did it for the children.”

I, too, am doing it for the children—for the thousands of youngsters in our urban schools who want the same chance at the good life that their cousins in the suburbs have.

The legislation giving the state authority for such intervention is now before you. I thank Assemblymen Joseph Palaia and Joseph Doria, Senator Jack Ewing and Assemblywoman Mildred Barry Garvin in particular for their courageous leadership on this issue. I hope you follow their enlightened lead.

Again, I caution that a takeover would only be a last resort. We remain committed to local control of schools. We want to give districts every opportunity to meet state standards during both the regulation and extended monitoring process. We cannot forget that it is ultimately the state’s responsibility to make sure that every child in New Jersey is offered a thorough and efficient education.

The public supports me on this. A Star Ledger-Eagleton Poll report last summer indicated New Jerseyans support the intervention proposal by almost two to one. I hope you will follow public sentiment on this issue.

Last year, I also called for a complete evaluation of the certification process for principals. I argued that principals’ jobs are extremely demanding and that they are at the center of everything that happens within the schools. Yet their

role had received little attention in the education reform debate, and has remained relatively unchanged for the past 40 years.

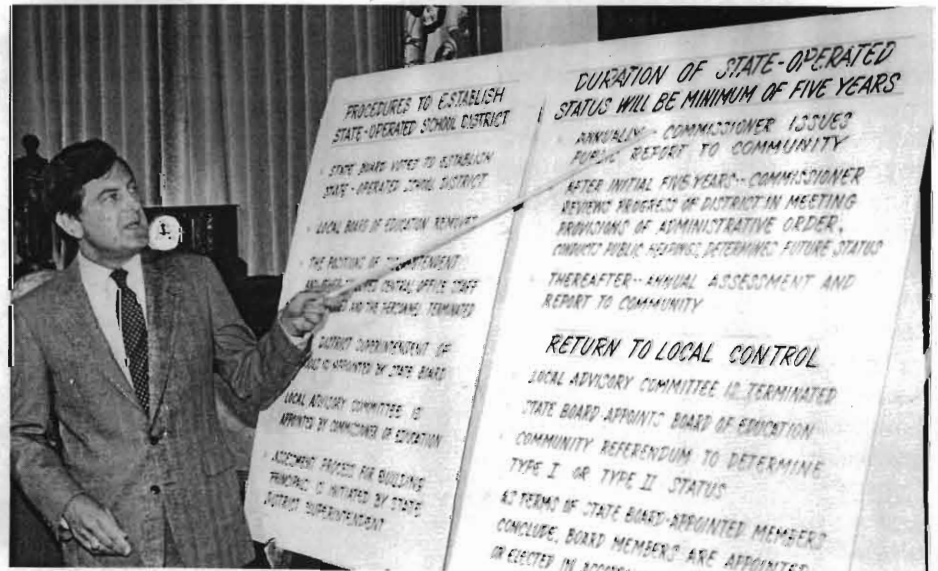
Last October, Commissioner Cooperman responded to my call with a new plan for principal certification.

Unlike the old certification system, which allowed someone to become a principal with a master’s degree in any subject, the new plan will require each principal to hold a master’s degree in a field of management science, specifically tailored toward the duties of the principal.

Candidates would have to pass a written exam and have their management skills evaluated in a practical setting. They would also have to complete a structured internship. This internship would require involvement in critical aspects of the classroom, the school building and the school district.

The plan is bold, it is innovative, and it will give a rigor and a professionalism to the principal’s certificate that has been lacking in this state as well as other states.

In the coming year, I ask the commissioner to build on this initiative by turning his attention to another important group of administrators: school business managers. They have the difficult job of administering the school budgets and making sure that the taxpayers’ money benefits the students, not the school bureaucracy.



I want to follow the same formula we have followed with teachers, through the Alternate Route, and that we refined in the Carnegie Forum.

I want to define the specific skills a school business manager needs, lay out options for obtaining those skills, and devise objective ways of measuring them.

This is the true path to professionalism. It is a quite different path from the one that leads to paper certificates used as a pretense to exclude people from a field.

Accordingly, I ask Commissioner Cooperman to follow this formula and review the certification requirements for school business managers and to recommend changes that would increase their professional training and ensure competency across the board.

There is one more group that deserves our attention: the dedicated citizens who sit on our school boards throughout the state.

Teddy Roosevelt once cautioned, "if Americans have not the same interest in public affairs, as in private affairs, we will not keep what this country should be."

Our school board members have taken Roosevelt's words to heart and donated their most precious possession, their time, to better educate the children of this state.

They are the ones who come home tired from work, eat a quick dinner and dash to the meeting, often staying until 1 a.m. discussing a new English teacher, a disciplinary problem or a proposed addition to the library.

Our school board members have taken Roosevelt's words to heart and donated their most precious possession, their time, to better educate the children of this state.

They are the unsung heroes of our system. And while we have a great many fine citizens on school boards, we need many, many more.

Today I urge all New Jerseyans who are interested in our future to consider service on a board of education. We need diverse talent. We need professionals, homemakers, artists, anyone who believes in the potential of this state and knows, as I do, that good schools are the conduit for realizing our dreams.

My goal in this challenge, and our other programs, is actually very simple: to somehow improve the quality of every professional involved in the lives of our children, starting with teachers and principals, and now moving to school administrators and school boards.

And we must go one step further and take a look at the actual working relationship among these professionals within our schools.

Think about any good job you have ever held. Invariably, the work environment was characterized by cooperation and collegiality. When problems or disagreements arose they were settled openly and with contributions from all affected parties.

In our best schools, this same kind of atmosphere exists. In too many other schools, the air is not filled with cooperation, but confrontation. Instead of Astaire and Rogers, it is the Hatfields and McCoys.

The cause of the tension is easy to identify. In education, the adversarial bargaining process is almost continuous. Indeed, an entire industry exists to promote tough negotiations between teachers and administrators. When tension born across the bargaining table spills into the school hallway, it poisons the learning environment. Our children suffer.

No state has yet had the ambition or courage to try and solve this all too pervasive problem. But as the Carnegie Report argued, "we cannot expect to raise standards and improve the effectiveness of schools unless we pay careful attention to how relationships and conditions within our schools affect the ability of teachers and administrators to be effective."

This past October, I unveiled a program to attempt to improve the work

environment within our schools.

In the next few months, we will choose nine districts to work with on this project. In each district we will set up organizations to deal with disputes and to try to forge healthy relations away from the bargaining table.

Our goal is to promote an atmosphere of trust and common purpose. We want to empower teachers and give them the freedom to be creative and to contribute to the direction of the school. We want good teachers to be able to walk into the principal's office and say, "I just had a great idea." In return, we want principals to confidently share their authority, knowing that the best leadership is based on a diffusion of power and responsibility.

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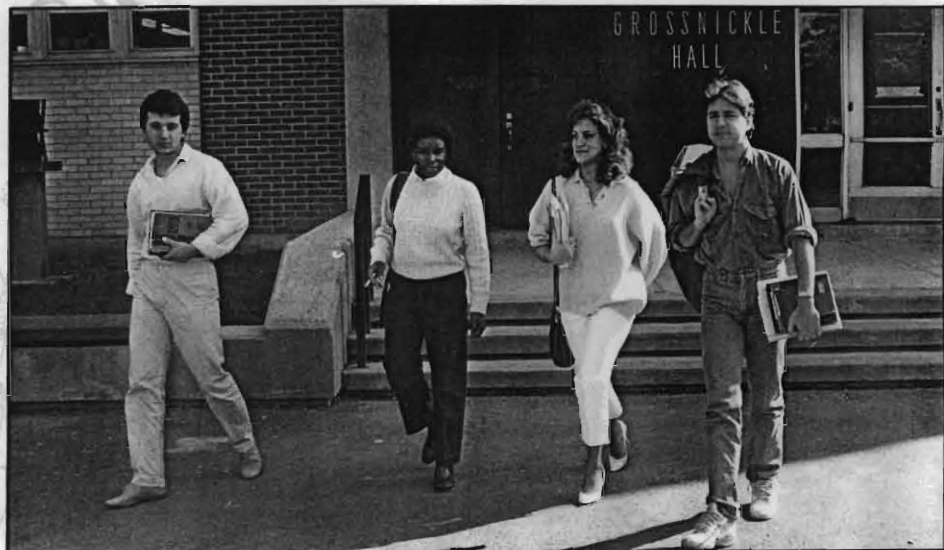
The lessons we learn from these nine districts will serve as models for the rest of our schools.

Nineteen eighty-six was a very exciting year for me. I had the opportunity to share my thoughts on education reform with leaders at every level of our nation. And everywhere I went, I heard praise for what New Jersey is doing.

You should take great pride in that. But we must be careful lest our pride breeds a smug complacency.

As elected officials, we must always keep in mind the words of John Dewey: "What the best and wisest parent wants for his own child, that must the community want for all children."

In the year ahead, I ask you to respond to the needs of all New Jersey's children. I ask you to fill in perhaps the most important part of our Opportunity Agenda, by continuing to earn New Jersey the reputation of, "The Education State."



I have just finished David Halberstam's book called "The Reckoning." It is about the automobile industry and the forces that have shaped the competition among the United States, Japan and Korea.

I think the book is also about education. It made me think about the willingness of our nation to make a sustained commitment to productivity, invention and excellence. Those are the concerns of the one really basic industry that we have—education. Those are qualities that we will need in abundance in the 21st century.

We depend on colleges to prepare us for the public responsibilities that all citizens must bear, for productive employment, and for a fulfilling personal life. We look to them to prepare our teachers as well as the leaders in every other field. We expect them to give us the tools to solve seemingly intractable problems.

Great colleges and universities, like great business enterprises, test the qualities of leadership. They require their students and professors to take intellectual risks. They demand a continual dissatisfaction with the status quo, and speculation about what might be. They depend on trustees, presi-

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dents, faculty and students to hold themselves to much higher standards than most of us hold for ourselves. They require planning, choice, commitment and follow-through.

Legislatures, governors, chancellors and boards of higher education must

create the conditions that permit these colleges and universities to rise. But to make the most of those conditions, the colleges and universities must also look within themselves for leadership. In New Jersey, they have.

The public, the business community, the colleges and universities and the state political leadership have formed a durable alliance over the past few years. That alliance has made possible a series of challenges and responses among the colleges, which resulted in increased national recognition of the potential of those institutions. We have started something important together, and we are going to continue.

This past year, we made significant strides in our system of higher education, thanks in large part to two accomplishments: the enactment of college autonomy legislation and the continuation of our Challenge Grant program.

When you passed the autonomy bill last June, you built a bridge leading to renewal for New Jersey's state colleges. The nine state colleges' Boards of Trustees now have responsibility for managing the colleges and for creating conditions for excellence. In accordance with the law, the Board of Higher Education is overseeing an orderly transition to full autonomy by June 30, 1989.

The legislation does not set the colleges off on their own. The trustees are still accountable but they are freed from the red tape that handcuffed them before.



Under the old laws, we saw state civil service requirements applied to colleges similar to the way they are applied to the state Correction Department.

Thanks to this bill, New Jersey is no longer the only state with its faculty subject to civil service regulations. The Treasury Department no longer has a say in which teaching vacancies will be filled.

New Jersey's college leaders will now have considerable freedom to make fiscal and policy decisions.

When the legislation is fully implemented, our college leaders will award contracts, manage college property, accept grants and contributions, and borrow money. In short, they will operate their schools in an efficient, business-like fashion.

The college autonomy legislation gives our educational leaders the opportunity to improve colleges equipped with an entrepreneurial spirit.

Last month, with the flight of the Voyager, we saw how productive that type of entrepreneurial freedom can be. The creators of the Voyager had a vision. They wanted to perfect the first airplane that could circle the globe nonstop on one load of fuel.

Bureaucratic controls prevented the federal agencies from offering much support. So the Rutan brothers set off to realize their dream on their own terms. Richard Rutan and Jeana Yeager took to the skies in a clumsy looking craft that skeptics said would never get off the ground. Nine days later, they had succeeded in setting new records in atmospheric flight.

We have given a similar kind of freedom to the colleges with the autonomy legislation. Some said it would never happen. It has. Now our college system has the wings to soar.

As autonomy for the state colleges equips those institutions for effective management, our challenge program spurs the institutions in their pursuit of excellence.

CHALLENGE FOR EXCELLENCE

A panel of national experts reviewing the progress of the Challenge Grant program concluded that, "Higher education in New Jersey is substantially stronger as a result of the Challenge."

The panel offered additional praise. They said our colleges are "positioned to become leaders" of state colleges

across the country—"the high school graduates in the Garden State have more reason than ever before to stay in the state for their higher education."

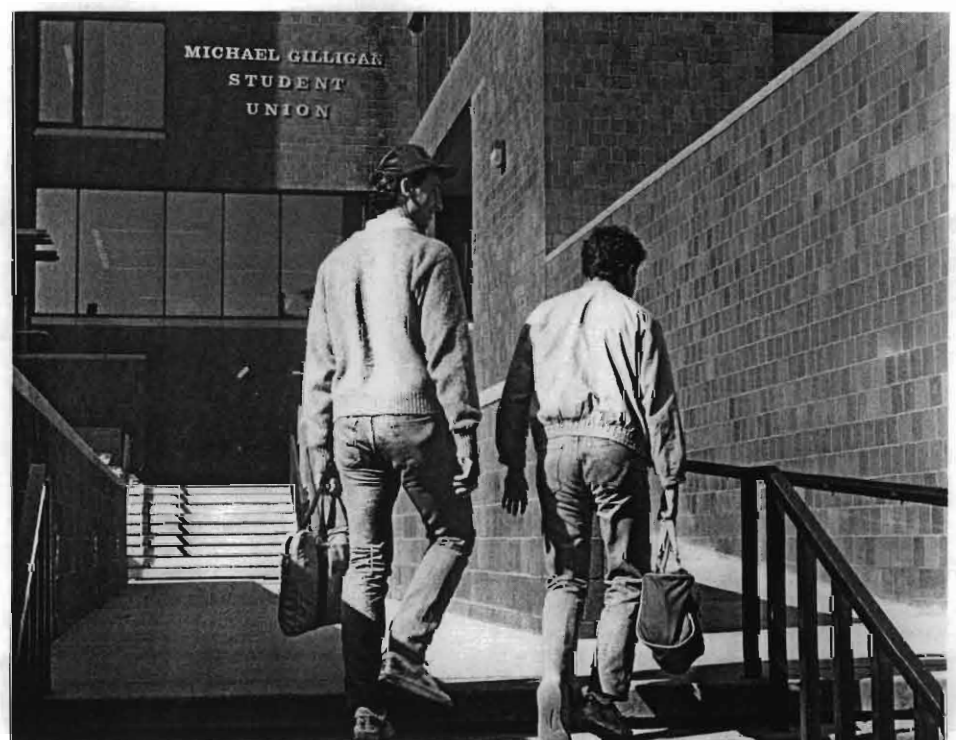
What made this praise truly gratifying was that it came from such an august panel. Dr. Kenneth Clark, former member of the New York State Board of Regents and distinguished professor emeritus at City University of New York; Dr. Barbara Newell, visiting scholar at Harvard University and former Chancellor of the State University System of Florida; and Dr. Robert C. Wood, Henry K. Luce professor of Democratic Institutions and the Social Order at Wesleyan University, served on that panel.

The praise of these distinguished scholars means the time and money we have invested in the Challenge Grants have been worthwhile. The nation is watching, and they see results.

Two years ago, I offered the unique challenge that has led to this improvement. I dared our colleges and universities to become among the nation's best.

I knew that we could not simply legislate a better education system.

I knew the key to excellence was to



find an appropriate balance between state leadership and support and institutional freedom. Government's job must be to create the climate for improvement.

We challenged the college leadership to better define their own missions and strategies for executing them. Only after doing this could they earn our support.

We challenged the college leadership to tell us what their goals were and how they would achieve them.

When colleges step forward to meet our challenge, we respond with financial backing. The money we grant provides incentives to improve.

As a result of the program, New Jersey state colleges are better than they were two years ago.

In fiscal year 1986, Challenge Grants of \$10 million enabled state colleges to capitalize on their strengths and define distinct paths to excellence. Jersey City State College and Kean College were the first-round 1986 recipients. Jersey City State College is using the money, in part, to convert its curriculum to one based on cooperative education. Kean College is using the money to improve the faculty and measure student improvement.

In this fiscal year, we have renewed our challenge to New Jersey's other state colleges, and they, too, have responded. We are offering \$13.8 million in Challenge Grants.

After a competitive review of the state colleges' plans, Ramapo State, Montclair State, Edison and Trenton State—received Challenge Grant awards. The four produced innovative plans for the future.

Ramapo College received \$3.3 million to develop the global literacy of their students.

Ramapo will also provide students with specific skills in languages, com-

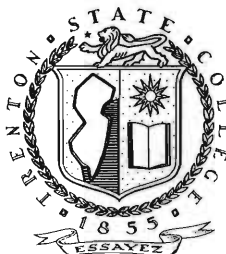
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puters and business. The school proposes to establish a state-of-the-art telecommunications center. They plan

to recruit a diverse student body, with goals of 20 percent minority enrollment and nine percent foreign enrollment.

Montclair State College will continue to develop as a center of influence in the fine and performing arts. The grant for this project totaled \$5.6 million. Montclair State is developing—through cooperation with some of the world's great artists and art organizations—a program of professional training in dance, music and drama.

Thomas A. Edison College was awarded \$1.8 million to serve adult learners through a computer system that could be used from their homes, offices or local libraries.



With its grant of nearly \$3 million, Trenton State College is accelerating its program to enroll an increasing number of high achieving students who might otherwise choose colleges outside New Jersey. They are attracting students with scholarships, nationally distinctive programs and an atmosphere of intellectual excitement. An article in one national publication put the institution among ten public colleges that are garnering an Ivy League reputation.

Early last year, I convened the presidents, as well as representatives of the trustees, faculty, alumni and students of all of those colleges because I wanted them to continue to strive toward greatness. I told them to prepare themselves to perform under the tough conditions of autonomy. I also said that while I wanted each college to earn a challenge grant, none would until it met the highest national standards. They have met my challenge and many are winning national distinction.

Our state colleges are not the only institutions seizing the opportunity for improvement. In the past, I also challenged Rutgers University, the New

Jersey Institute of Technology (NJIT), and the University of Medicine and Dentistry of New Jersey (UMDNJ).



Rutgers will become one of the nation's leading public research universities by 1995. The promise is clear in the University's work to improve the stature of the faculty, to improve student performance and to increase academic support. Rutgers continues to attract distinguished faculty members in a variety of fields.

It has offered its most promising junior faculty more time and support for their research—an essential ingredient in recruiting and retaining young talent. More and better applications to graduate programs are coming in; Rutgers awarded more than 40 "excellence fellowships" for the 1986-87 year to outstanding graduate students.

A major effort to recruit and retain minority students has been initiated with very promising results in its first year. The Challenge Grant funds are providing better library materials, increased access to computers and computing services, and improved facilities.

The Rutgers example proves that a broad-based partnership between public and private constituencies in support of a major public research university can work. I will continue to urge a long-term commitment by the state to the development of Rutgers as one of the nation's most distinguished universities.

As our state university strives toward national distinction as a research university, NJIT works toward national recognition as a comprehensive technological university.

NJIT's plan to develop a computer-intensive campus is moving ahead rapidly. Each freshman receives a personal computer, and the quality of com-

puting facilities for instruction and research is improving steadily.

With its \$4.3 million grant, NJIT made significant progress in the first year of its response to our challenge.

The school has recruited several outstanding senior faculty members, including a new Dean of Engineering, who will attract other distinguished scholars to the faculty. Chairmanships are being filled in manufacturing/productivity, computer science, biotechnology, and microelectronics.

Graduate enrollment increased from 16 percent to 19 percent of the total enrollment, moving NJIT closer to its goal of 25 percent.

NJIT will open a new Computer Integrated Manufacturing (CIM) Center in 1989 as part of an even more ambitious Information Sciences facility. The CIM Center will serve not only NJIT's students, but will be available for cooperative programming with 11 community colleges in the northern and central parts of the state.

The University of Medicine and Dentistry is responding vigorously to our challenge to become one of the top 25 schools in the country.

UMDNJ is New Jersey's only medical university. It has to do a better job for New Jersey than other state schools do for their states.

UMDNJ used its \$4.8 million grant to recruit nationally prominent scientists to its faculty, to develop new research programs and to improve patient care services in geriatrics, oncology, cardiology, and pathology.

It is also establishing a four-year School of Osteopathic Medicine in Stratford to serve southern New Jersey.

UMDNJ also established a satellite clinical research facility at the Center for Advanced Biotechnology and Medicine, incorporated with Livingston's Saint Barnabas Medical Center and gained accreditation for the cystic fibrosis center at the New Jersey Medical School in Newark. UMDNJ also established the Institute for Alzheimer's and Related Disorders.

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UMDNJ is attracting renowned practitioners of medicine to its staff. Since last year, for example, they have recruited Dr. Masayori Inoye, a nationally distinguished biochemist. He is

bringing with him 34 post-doctoral scholars and numerous research grants. The university is rebuilding the facilities of that department to accommodate Dr. Inoye and his team. Your commitment has attracted three times the amount of the original investment. UMDNJ has had 10 major appointments to fill and has filled three as planned, all at a high level of quality.

Because of our challenges, all levels of public colleges and universities have improved. The improvements are system-wide.

As our county colleges celebrated their twentieth anniversary this year, they were also issued a challenge.

We appropriated a \$3.5 million challenge grant to allow county colleges to develop and implement innovative programs that would foster educational excellence.

After competing against other community colleges last year, Brookdale Community College, Mercer County Community College and Union County College were awarded challenge grants. They will be given their projects this year.

With this funding, these schools can further focus on reaching out to minorities, working with high schools, and working to develop, expand or improve technology programs.





In the last 20 years, a million New Jerseyans have attended county community colleges. Each college serves its county and neighboring communities, but together, all vitally serve the state.

Without these schools, many New Jerseyans would have no other ways to continue their education. Many businesses would have no way to renew the training of their workers. These colleges help make New Jersey productive; they are part of the opportunity that New Jersey offers its citizens.

The challenge grants have greatly improved the quality of academic life in New Jersey. These improvements have been supplemented by the competitive grant programs in technical and engineering education, computers, math, science, computer science teacher-training, foreign languages and international education.

The grant programs include our private, independent universities and colleges because they play a key role in our higher education system. Independent colleges and universities also face an uncertain future because of declining enrollments and the rising cost of keeping their doors open. They deserve our attention and our encouragement.

In this review of education, I have tried to direct attention to the link between education and survival in our increasingly technological age.

Despite this crucial link, we must never forget the importance of the study of the arts and humanities. Such study is pivotal to a solid education and well-rounded human beings. Contrary to popular wisdom, liberal arts majors are in demand in the marketplace.

I am proud that in the past two years New Jersey has pioneered the Business/Humanities Project—the first state to do so. An advisory council of corporate chief executive officers and college presidents met for the first time last month to announce their goals.



They plan to organize task forces on recruitment and placement, career and life planning, and the humanities curriculum. A New Jersey Visiting Fellows Program has also been approved to place corporate executives for a week on college campuses to work with students.

Many of New Jersey's public colleges and universities have assessed their challenges and developed plans to meet them.

Our colleges and universities also encounter challenges common to every campus in New Jersey. It is important to identify these challenges and begin to confront them.

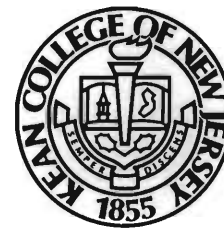
New Jersey still exports close to 40 percent of its high school graduates to out-of-state colleges and universities.

I want to change this by making our undergraduate programs the best they can be and by spreading the word that New Jersey has a lot to offer.

The Department of Higher Education has been at the forefront of a campaign to convince more New Jersey students to go to college here. They have held special events to reach out to students, parents and high school guidance counselors. They have set up a New Jersey college "hot line" to answer questions. They have visited high schools across the state to inform students about the opportunities in New Jersey.

In the past few years, in connection with our Challenge Grant Programs, I have pressed each sector of higher education to help define how their results should be measured, and how the public can be assured that its great investment in higher education is well-placed.

The Board of Higher Education is answering this question of quality assurance through the College Outcomes Evaluation Program. The program will develop ways to measure the quality of



education at each college. It is concentrating on student learning, student development and post-collegiate activities, research, scholarship and creative expression, and the impact colleges have on the community and society.

KEEPING THE DOOR OPEN

All of the improvements are useless if students cannot meet the costs of going to college.

Higher education is costly. Proposed federal reductions in student aid will mean a heavier burden on the state. We must renew our commitment in 1987.

New Jersey offers one of the most comprehensive scholarship and loan programs in the nation. Our generous financial aid offerings, coupled with an increasingly strong higher education system, make attending college in New Jersey very appealing.

New Jersey offers one of the most comprehensive scholarship and loan programs in the nation.

The Department of Higher Education awarded nearly \$46 million in Tuition Aid Grants last year. Of that, \$3.4 million was in Garden State Scholarships, \$7 million was in Education Opportunity Fund grants, \$400,000 was in Garden State Graduate Fellowships, and \$700,000 was in Garden State Distinguished Scholar awards.

In addition to the nearly \$60 million in New Jersey grant support, we administered the Guaranteed Student Loan program, which in fiscal year 1986 provided \$79 million to more than 35,000 students attending New Jersey colleges and universities.

Assuring students that finances are not a barrier to higher education is a

first step. The next step is assuring our students they will succeed—if they work hard.

We must support programs that will help students stay in college. A large number of college freshmen drop out each year, often because they were ill-prepared for college study.

If we want to improve the basic skills of New Jersey's freshmen, we must increase the communication between the colleges and high schools. I am confident both colleges and high schools will improve if we do this.

Too many students enter college without the knowledge, skills and attitudes necessary to succeed. If we do not do something, the gap will get worse as our society becomes more complex.

This is not a new problem. I encountered it when I taught at the college level. The students in my class were well-acquainted with the class material, but many did not have the ability to write it clearly or concisely. Some papers were so bad I would have guessed that they were written by first-semester freshmen—not by advanced-level graduate students.

Not only must we reaffirm our commitment to basic skills, we must make our students computer literate.

We must bolster faculty efforts to modernize and improve instruction in computers by integrating the computers and other sophisticated technology in the curriculum, on campus and from campus to campus. Two competitive grant programs, Computers in Curricula and Engineering Education, are helping faculty accomplish this task.

I have stressed the need to create opportunity throughout this message. Improving the skills of our students and the quality of our facilities is empty without the assurance that every New Jerseyan who wants to go to college, can go to college.

Minorities continue to be hindered in their effort to further their education.

Black and Hispanic enrollments are declining. In 1980, we saw record black enrollment in our colleges and universities. The figures quickly dropped.

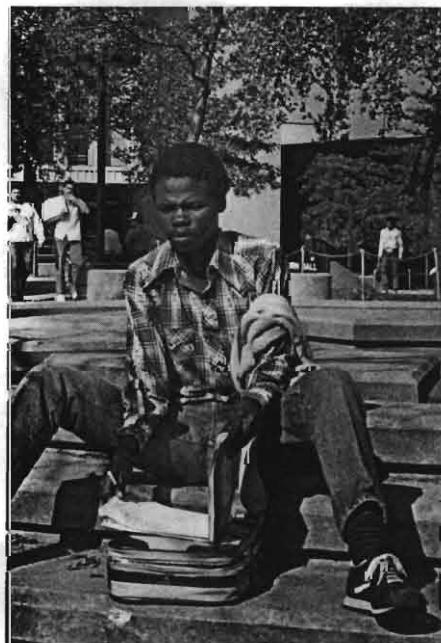
In the past five years, black enrollment has dropped at twice the rate of overall enrollment decline in New Jersey. Hispanic enrollment, which was up at the beginning of this decade, fell 3.5 percent last year.

We are working to reverse this. In qualifying for their challenge grants, all of our public colleges and universities have renewed their pledge to minority recruitment.

In the coming weeks, all of the public colleges and universities in the state will submit their plans to halt this decline. These outline the colleges' long-term strategies to recruit and retain minority students.

The declining minority presence on campus is not only reflected in student attrition rates. Alarming few minority professors and instructors are teaching in the nation's public colleges and universities.

We are doing something about this in New Jersey. In 1984, I signed into law the Minority Academic Career Program (MAC), aimed at recruiting more black and Hispanic doctoral candidates to our schools and enlarging the pool from which new faculty can be recruited.



I am happy to see proposals to expand this program. Since we are one of the few states with a MAC plan, others are looking to us as a model for developing their own.

For far too long, minorities have been under-represented in collegiate-level faculties. This void has chipped away at the excellence of our schools. Students must look to teachers not only for knowledge, but for guidance as role models. Until now, minority students have not had that opportunity. We must change this.

THE 1987 AGENDA

I ask you, and all who care about education and creating opportunity, to join me in 1987 to dedicate ourselves to making a college education more accessible and fair to minority students.

I also ask your support for the following initiatives.

In my budget message next month, I will ask for your support for a third and final challenge grant program for the state colleges. I will ask for an increase in the base budgets of those colleges. Now that our colleges have the autonomy to pursue excellence and can be held accountable for results, we should give them the money they need to succeed.

I also ask you to continue our challenge to UMDNJ. In the year ahead, I want to see UMDNJ hire at least three more senior faculty members of the same caliber as the appointments made this year. I ask UMDNJ to report publicly on how they compare with the top 25 medical universities in the country and what they need to do to enter the ranks of those universities within the next five to ten years. We must also know how their impressive efforts will improve the quality of health care for New Jerseyans.

This spring the Board of Higher Education will receive a report from nationally recognized experts on the fu-



ture role of the county colleges. In the public hearings to follow, I am confident that the leadership of these schools will respond vigorously and thoughtfully. I met with those leaders in December—trustees, the presidents, freeholders and so many others. I believe in their ability to position the colleges for an even more productive third decade. I want to hear what they plan to do next to help build our productivity, to improve the basic educational level of our people, and to increase the quality of the cultural life in New Jersey. I want to hear from the Board of Higher Education how we can renew our partnership with these colleges in the coming decade.

I also urge your attention to another report that will be released in the year ahead, the Report on The Future of Independent Higher Education in New Jersey. Dr. Ernest Boyer, the chairman of the commission studying this issue, is preparing this report.

Americans have always looked to the independent colleges for innovation and for high standards of quality. In New Jersey, these 16 colleges are especially important to our system of higher education.

All of higher education faces tough problems. How can colleges strengthen their undergraduate programs? How can they recruit and graduate a much larger proportion of minorities? How can they control the cost of higher education? How can they assure its quality?

The answers the independent colleges find may not only help them, but may point the way to further improvements in the public colleges. Dr. Boyer's panel will report in March. We await their recommendations and the Board of Higher Education's response.

Our colleges and universities need the flexibility to keep pace with rapidly changing subjects. We cannot afford to teach outdated materials. As new subjects emerge, colleges must have the ability to hire faculty who are on top of the latest developments in their field. Legislation authorizing an early retirement program for professors, now pending in the Senate, would give the colleges the flexibility they need. I ask you to pass this legislation.

We must also look at the physical needs of our colleges. We have made important investments in the people who teach and attend our colleges. I am

concerned, though, that the colleges will be better then the buildings that house them.

Americans have always looked to the independent colleges for innovation and for high standards of quality.

We must examine a comprehensive and feasible investment program to renew those facilities. This cannot be done hastily. We will look for leadership from the Legislature, the Board of Higher Education and other sources. We need a thoughtful review of our needs and our resources. This examination will demand unprecedented cooperation from all sectors of higher education.

The people of New Jersey have shown repeatedly that they will make prudent investments in education, but they expect results. The case will have to be made to them and the leaders of higher education will have to prepare themselves to make that case. I am confident of their ability to do so.

Last month, the New Jersey Economic Policy Council released its 1986 economic report and its predictions for 1987.

The news was generally good. New Jersey's economy continued to move forward last year. The report warned, though, that our cities were not sharing equally in our prosperity.

This is unacceptable. I happen to believe that if New Jersey is ever to achieve its full potential, its cities must

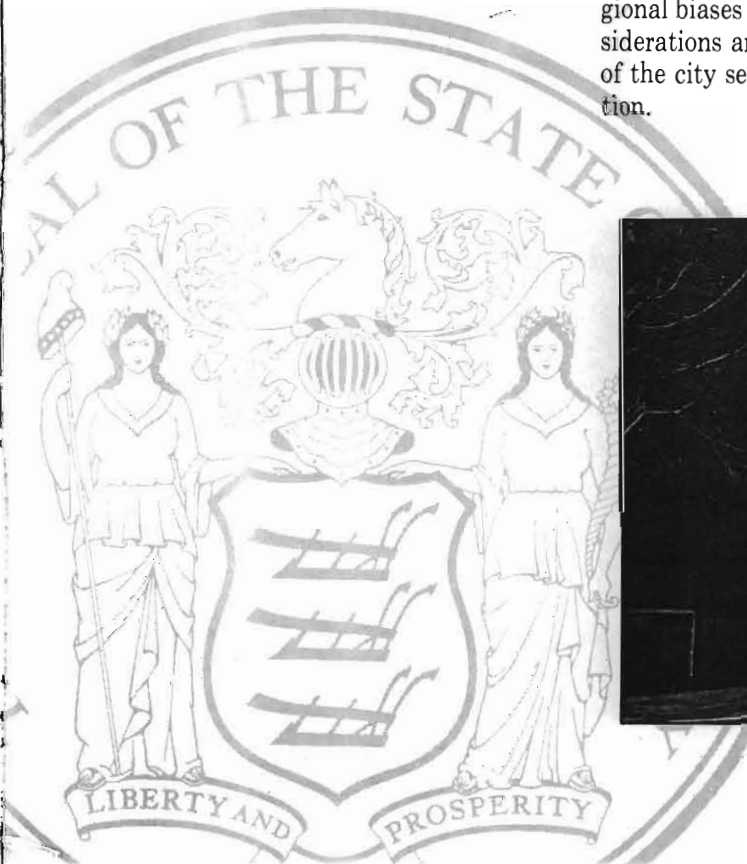
be full partners in prosperity. The cities possess the infrastructure for the future growth of the state. If the cities grow, that will take pressure off the suburbs and rural areas.

I happen to believe that if New Jersey is ever to achieve its full potential, its cities must be full partners in prosperity.

Elected leaders must toss aside regional biases and partisan political considerations and approach the problems of the city seriously and with imagination.

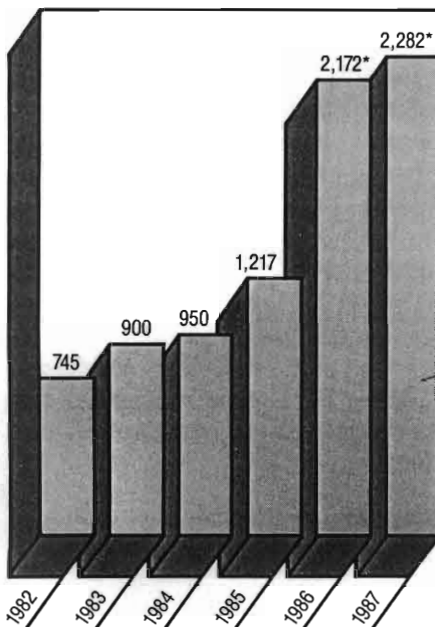
The answer is not to simply appropriate more money from the state. While this is possible and desirable in good times, these funds can dry up in periods of slow growth. Paradoxically, this is when our urban areas need help the most.

The long-range answer has got to be renewed growth in the cities themselves. This can only occur through public/private partnerships and with all levels of government working together. Our goal must be nothing less than self-sufficiency for our cities. While we have made substantial progress in the past five years, we still have a long way to go.



New Jersey's cities have achieved marked success during the past five years. This didn't happen accidentally. It is the result of decisions we made. We decided that we must make our cities' streets safer, that our urban residents should have better public schools, and that a larger share of our state's need for decent, affordable housing should be met in rehabilitated urban neighborhoods. We decided that without this quality-of-life infrastructure in place, we could not rebuild our urban economies with job creation and business development.

*Police on Street
Governor's Safe and Clean Program*



* Number includes firefighters



Accordingly, we have been steadily expanding the number of police officers and fire fighters through our Safe and Clean Neighborhood programs. Since 1985, we provided funding to hire over 2,000 new police officers and firefighters through the program. And before 1985, we provided expanded funding to maintain earlier levels of police and fire services.

Last year, when our cities, facing huge budget deficits, had to choose between ruinously high property tax increases or laying off their police officers and firefighters, the State stepped forward with the Community Revitalization Program.

Eleven of our cities shared nearly \$18 million, in addition to \$3.7 million in discretionary funding from the Safe and Clean program and the Supplemental Fire Services program. In all, more than \$21 million was distributed through these programs to make sure our urban residents did not face the draconian choice of fewer services or prohibitive increases in property taxes.

Of equal importance, the staff at the Department of Community Affairs (DCA) worked hand-in-hand with the cities to provide technical and management expertise. Their help saved the cities millions. This is not a one-time benefit. Higher tax collection rates or improved billing will save all taxpayers money for years to come.

Many of the school reforms I proposed are also in place. Our high school diploma means something again. Urban parents have a right to know they can send their children to public school with confidence, knowing that the state of New Jersey is determined that their children will learn to read, write and do arithmetic.

Our goal must be nothing less than self-sufficiency for our cities. While we have made substantial progress in the past five years, we still have a long way to go.

New Jersey's approach is comprehensive. We know that our urban health depends on a variety of factors and forces. As a result, we not only have made sure we protect our citizens and educated our children, we have made investments in jobs and in urban mass transit through the Transportation Trust Fund.

We have worked to make sure urban New Jerseyans have the housing they need. Last year we dedicated a portion of the real property transfer tax to assist affordable housing in urban neighborhoods. Under the Neighborhood Preservation Balanced Housing Pro-



gram, administered by DCA, \$12 million a year is now being offered to developers through municipalities to provide housing for low and moderate-income families.

Last year the Housing and Mortgage Finance Agency financed nearly 4,000 units of rental housing. HMFA money went to fund the development of 271 units of low and moderate income housing on the Jersey City waterfront, to provide permanent mortgages for residents of Jacob's Terrace in Atlantic City and residents of New Community Estates in Newark. HMFA also committed \$2.5 million in Newark to enable Vogue Housing, Inc., a minority developer, to market two and three-bedroom homes for moderate income families.

Some 550 urban homebuyers were aided through the agency's programs, and the agency established the Housing Assistance Corporation to produce affordable housing. In addition to its regular lending, the HMFA provided almost \$3.7 million in funding for 539 units of low and middle-income housing under the Fair Housing Act. And we now are preparing to take \$15.5 million recovered from our suits for oil overcharges and use this to help the HMFA rehabilitate urban housing. I applaud Assemblywoman Maureen Ogden for sponsoring this legislation. I hope you approve it.

We have spent a lot of time developing the one thing every New Jerseyan needs—and deserves: a job. We have not relied on any one means of creating jobs. We have used traditional means such as business development loans from our Local Development Financing Fund and the New Jersey Economic Development Authority. We have used innovative approaches, such as the creation of our Urban Enterprise Zones.

Since we began the LDFF in 1985, we have awarded more than \$22 million in low-interest, long-term loans that created nearly 3,600 new jobs in our cities, and triggered more than \$70 million in private investment.

Last year, EDA opened its newest industrial park in Newark. The Airport Industrial Park used to be an under-used and aging facility, but today it is providing jobs for our city dwellers. By December, the EDA had attracted \$255 million in private funds for 122 projects in targeted cities, creating 7,500 jobs.

Our urban enterprise zone program has been the most successful in the nation. It is one of the primary reasons our cities are beginning to return to their former prosperity.

By the end of last year, more than \$1 billion in private money had been invested in the 10 enterprise zones, creating a record number of jobs. In fact, we have been so successful with our

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enterprise zones that reporters from Europe have come to New Jersey to study how we did it.

Now we must go forward. We have ideas that we believe will, over the long haul, help our cities progress even further.

These new proposals are true to the spirit of New Jersey. They are fresh, adventurous proposals that take risks for future gains. I believe strongly that private—not public money—must fuel the rebirth of our cities. Powerful market forces are already at work. I believe that with state effort, we can harness these market forces and direct them toward our cities.

Just as unending welfare is not the ultimate answer for our poor, continuous government subsidy is not the ultimate answer for our cities. It never solves the problem, it just spreads out the pain and perpetuates it.

The answer to our urban problems is rebuilding our urban tax base. Our

cities must again be able to raise the money locally, so they can stop relying on the vagaries of state and national budgets.

That means rebuilding the job base. That means rebuilding their neighborhoods. That means continuing to rebuild our housing stock.

Historically, our cities succeeded because everyone had a stake in his neighborhood. We must recapture that feisty sense of involvement and that pride of place.

Many past attempts at neighborhood revitalization failed because they were imposed from above, rather than developed with neighborhood support and participation.

I believe strongly that private—not public money—must fuel the rebirth of our cities.

We have rejected that approach. We want the people who live in our cities to tell us what they think their neighborhoods need. And with a minimum of government help, we want them to recreate and restore first their neighborhoods and then the rest of their cities. Our neighborhood programs have been designed along those principles.

The continued reconstruction we anticipate will come through our existing programs and a few experimental pilot programs that I want to put in place in 1987—primarily Neighborhood Development Corporations (NDC's), Housing Rehabilitation Corporations (HRC's) and Urban Small Business Incubators (USBC's).

The Neighborhood Development Corporations would be at first an attempt to transform a few of our neighborhoods. These corporations would develop new businesses that would provide jobs and spark renewed pride.

They would be run by the Urban Development Corporation, which you created three years ago. The law enacting the UDC gave it far-reaching power



to provide financial, managerial and technical assistance to urban programs. It gave it the power to make loans, issue stock and acquire equity in projects.

The UDC will have \$30 million at its disposal because of the bond act the voters approved in 1982. I will insist that it invest this money carefully to provide New Jersey with the maximum return possible.

This is how the NDC's would work. Civic, church and neighborhood groups would be encouraged to apply to the UDC to become a development corporation. Group leaders would submit plans detailing their goals for the new business development. After reviewing the plans for practicality, the UDC would decide which of the more promising corporations to invest in.

The Neighborhood Development Corporations would be able to sell stock. Neighborhood residents could buy common stock for a very nominal cost and outside investors could purchase preferred stock. As with any corporation, the common stock hold-

ers—the local residents—would be the only investors who could vote, thus maintaining local control of the corporations.

In practice, the plan might work like this. Residents of a developing district in a distressed city might decide to incorporate. They could submit a plan to the UDC identifying their neighborhood. And they could submit another plan explaining the real need for, say, a nearby supermarket, dry cleaner, garage and clothing store, and their proposals to start these new businesses.

The UDC could then review their plans, paying close attention to the financial wisdom of the proposed businesses. If the UDC approved the plans, financing and expertise would become available, while the residents would each be investors. Other investors, perhaps a large, nearby corporation, could be able to provide additional financing by purchasing preferred stock.

The stock holdings would ensure that neighborhood residents had a tangible,



vested interest in their futures. As the clothing stores and grocery prospered, stockholders could enjoy the profits. New businessmen would be minted and more jobs would be created where they are most needed. And because neighbors owned a piece of the store and station, there would be fewer thefts and less vandalism, a greater sense of community and much greater sense of progress.

As the corporations succeed, we have few regenerated neighborhoods sharing pride and profit.

Our approach substitutes private enterprise for tax dollars. It will use public money like seeds to grow a crop of private businesses in our cities.

The NDC is an experiment with great promise. I propose other new programs as well.

We should create small business incubators and a program that fosters the entrepreneurial spirit to create more jobs. We must seek to get the private sector involved in the cities, and both

of these programs seek to do so with fundamentally sound financial approaches.

Our approach substitutes private enterprise for tax dollars.

It will use public money like seeds to grow a crop of private businesses in our cities.

Baseball has a marvelous system for developing younger players. Rookies rarely burst into the major leagues. They usually require additional training and experience which the major league teams provide on their minor league ball clubs.

It's a great arrangement. The youngsters are taught the skills they need to succeed. The parent club gets a steady stream of talent it needs.

I propose something similar to help young inner-city businesses, and to give our cities, in turn, a steady stream of new economic growth.

A small business incubator company would provide a building to house tenant companies. The tenants would share the costs of secretaries, utilities and xeroxing, and also would receive below-market rents. What is more, they would receive legal, engineering, and technical advice from their big-league sponsor. The "rookies" learn from each other, and their business maturation takes place faster than it would have had they set up shop on their own.

There are hundreds of New Jerseyans with great ideas for their own business. We want to promote the creation of incubators to translate their ideas into job-creating, tax-paying businesses. The bottom line businessmen are so fond of quoting would show profits for everyone.

The same is true of the entrepreneurial program. An entrepreneur is a person who looks at the market and says, "I can do it better."

This spirit should be promoted. After all, if it were not for an entrepreneur



named Edison, we would be sitting in the dark right now.

I think we can teach this spirit to our children. I would like to create entrepreneurial programs in our schools. They could be aimed at students we are reaching least: the dropouts.

I would like to create entrepreneurial programs in our schools. They could be aimed at students we are reaching least: the dropouts.

Think about it. A dropout feels he does not belong. So does the would-be entrepreneur, bored-stiff while working for somebody else. If we offer these young men and women something different—the chance to explore their own skills in business—I happen to believe we can achieve great successes. I propose, then, to create a school entrepreneurial program in conjunction with the New Jersey Youth Corps Program that is now run by DCA.

On top of this, I propose that the Commerce Department, through the

UDC, should create an inventory of available financing sources that could be tapped by our entrepreneurs.

The chief financial problem facing entrepreneurs in cash-rich New Jersey is not lack of capital, but the inability to find the most appropriate available source of credit or equity. The UDC inventory will give entrepreneurs the helping hand they need.

I expect these programs to work. But rebuilding our neighborhoods means more than rebuilding the job and tax base. We cannot succeed if we do not rebuild our housing base.

The answer is to revive our existing rich housing stock primarily through private efforts.

Drive in Plainfield, Trenton, Camden or Newark and you will see magnificent buildings that have gone to seed. Victorians and townhouses, brownstones and rowhouses slip further and further each year into quiet ramshackle death. In the meantime, our poor and middle class scramble for affordable housing.

At a time when affordable housing is one of the great challenges New Jersey faces, our cities hold the cheapest and easiest answer. I was pleased to see the

Council on Affordable Housing implement the Regional Contribution Agreement embodied in the Fair Housing Act to spur the development of urban housing in the spirit of Mount Laurel. Through these agreements, our suburban towns will be able to stimulate more urban housing development by providing funds for up to half of their fair share requirements to the cities.

The chief financial problem facing entrepreneurs in cash-rich New Jersey is not lack of capital, but the inability to find the most appropriate available source of credit or equity.

We have to do more. Our urban housing stock can and should be saved. These houses are an important and rich part of our past. What's more, they are a crucial part of our future.

Rescuing them is the challenge. We have many volunteer groups and non-profit groups rehabilitating homes already. I applaud them. In Newark, the Department of Community Affairs,

the city, and a number of banks and corporations have formed an exciting partnership to rebuild Newark's housing stock and economic base. The partners have combined their expertise and financial resources to develop plans aimed at stabilizing land values, foster home ownership and increase the availability of decent housing in Newark. Some \$41 million has already been committed.

The partners are committed to assisting other cities begin similar partnerships by increasing the funding pot and lending their expertise to help create a statewide consortium.

But we can do more to help our neighborhoods and help ourselves. We should create Housing Rehabilitation Corporations in a few cities as companion pieces to the Neighborhood Development Corporation.

Right now, DCA works with local Neighborhood Housing Services and other community organizations to raise seed money for non-profit neighborhood groups to use to rehabilitate or construct single family houses.

The Housing Rehabilitation Corporation would supplement these efforts by providing seed money for the rehabilitation and construction of rental housing, which is often too complex and expensive for local communities to undertake.

Once again the State would provide expertise and coordination. Once again, these new organizations would foster private/public partnerships. Once again, state exposure would be minimal.

Housing Rehabilitation Corporations would provide technical guidance and some financing. Any state funding will be limited to immediate renovation costs. Renovation groups would have to secure their own operating funds from private sources. Without this private partner, these organizations would be unable to obtain state financing.

The Department of Community Affairs, true to the purpose for which it was created, would oversee the new HRC's while the UDC would oversee the new Neighborhood Development

Corporation and urban small business incubator programs.

I not only want to see urban programs work, but old ones as well. Therefore, I will issue an executive order creating an Urban Affairs Cabinet Council. Made up of the State Treasurer, the Commissioners of Community Affairs, Commerce and Economic Development, Labor, Human Services and Transportation, along with the Governor's Chief of Policy and Planning, the Council's job would be to tell us which urban programs are working and which are not. I want them to recommend which programs should be retained in present form, which should be consolidated, which should be improved, and which should be scrapped.

I want to streamline and consolidate the delivery of services to our cities. Where we have less money to spend, we should maximize the use of the money we do have.

Commissioner Leonard Coleman is expanding an Office of Housing Advocacy in the Department of Community Affairs. I applaud his effort. The office would eliminate red tape—which can increase the cost of a project by as much as 25 percent—provide technical assistance and serve as a clearing house of information.

I want to streamline and consolidate the delivery of services to our cities. Where we have less money to spend, we should maximize the use of the money we do have.

Throughout this message, I have talked about the potential in public/private partnerships. Across this country, city officials are learning that development does not end when they grant concessions like tax abatements or low-interest loans to builders.

Instead, they are demanding that, in exchange for the concessions, the builders offer them the right to receive some of the profits generated by the

proposed development. I want to encourage and assist municipalities in considering these kinds of equity participation arrangements.

I have two final thoughts about our cities. We must raise the level of debate about urban housing. I propose that we should invite developers, business leaders and government leaders this year to a conference to initiate a state-wide consortium of public and private housing partnerships. We should tap their great creative energy and thought to save our urban housing stock and provide the shelter our urban residents need.

While we rebuild our cities, we must begin discussing how and why we fund all of our urban programs. In an age where the federal government is sharply reducing urban aid, we must decide how to spend our limited revenues for the greatest effect. I will expand on these thoughts more next month in the budget message.

Our cities were the cradles of New Jersey's—and the nation's—prosperity. Paterson's factories turned out the great railroad engines that literally pulled America through the industrial revolution. Trenton provided the genius and the material for the Brooklyn Bridge. In Newark, Seth Boyden revolutionized the leather industry and Atlantic City served as the nation's vacation place.

Our cities are unlimited in their potential.

Their comeback is part of our future.

This is a proud history. But it is more than history. As Shakespeare once noted, "What's past is prologue," and so it is with our cities. Our cities are unlimited in their potential. Opportunities abound there. Their comeback is part of our future. I am confident that as we follow our agenda for opportunity that we will see them succeed.

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Each year for the last five, I have stood before you to tell you how much better off the lives of New Jersey's people have become.

This year is no exception. Earlier in this message, I mentioned that New Jerseyans' personal incomes grew again last year. I reminded you that New Jersey has the third highest per capita income in the nation. We are a rich state getting richer.

That is why it is so troubling to remember that we still have 365,000 New Jerseyans on welfare. At a time when we have never been better off, too many of our neighbors suffer in the throes of poverty.

At a time when we have never been better off, too many of our neighbors suffer in the throes of poverty.

The vast majority are not shiftless loafers looking for a free ride. In fact, nine in ten are young mothers and their small children.

Most are proud people who want a chance to work but do not have the schooling or training they need. Many are determined people who stay on wel-

fare because they fear that taking a job will leave them without child care or health-care coverage. Welfare is not a pleasant experience. Few are on welfare because they prefer it to working for a living.

I have spoken to you about creating further opportunity. Nothing is higher on my agenda in 1987 than an ambitious effort to reduce the welfare rolls by giving our recipients a real opportunity to gain economic independence. Our existing system has failed to do this while wasting taxpayers' dollars; we must fix it.

Liberals and conservatives have been arguing for a generation now about why





welfare has failed. The time has come to stop arguing and start acting. As James Russell Lowell once observed, "There is no good in arguing against the inevitable. The only argument available with an east wind is to put on your overcoat."

So it must be with our welfare system. We must stop debating whether the welfare recipient or the government is responsible for the failure of our welfare system. The debate keeps mouths busy, but while the talk goes on, welfare dependence persists. We must recognize that recipients and government have an essential part to play in reducing and eventually eliminating dependency. There really is no other choice.

It is time to recast public assistance. We must move from a system that encourages dependence to one that emphasizes work, self-sufficiency and opportunity. It is time to build a system that gives our poor a real chance to better themselves. It is time to save the taxpayer money without sacrificing our commitment to those who will always need our help. At my direction, the Department of Human Services has come up with a bold and reasonable plan to do all this.

Welfare reform is a hot topic these days. You read about it in magazines and newspapers and listen to programs about it on television talk shows. You may have heard about Massachusetts' progressive program or California's welfare reforms.

Our program goes beyond Massachusetts. It goes beyond California. When it is fully underway, New Jersey's program will be the first welfare reform to touch every welfare recipient in a major state.

We call our program REACH—Realizing Economic Achievement—because we want our welfare recipients to reach forward and pull themselves up and share in the prosperity the rest of New Jersey is enjoying. We want to reach the people our society has not been able to reach before.

REACH will do what no other state's

program has done. It will *require* education, job training or work of *all* able-bodied recipients as a condition for obtaining welfare. The state will guarantee the job training, child care, medical coverage and other support necessary for a woman to take a job, enter job training or finish school. REACH will be the first state program to make prevention its major theme by concentrating on young mothers, the group most vulnerable to becoming long-term recipients.

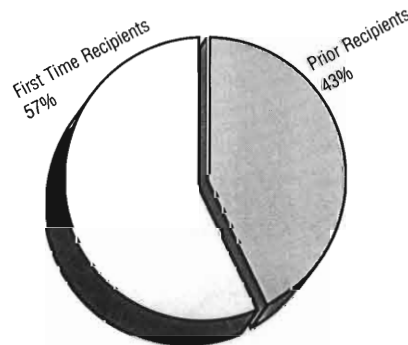
I am confident that REACH can turn welfare around. Although REACH initially will require a significant investment of state money, REACH will pay for itself, even if we reduce the welfare rolls by only 15 percent. I am confident that we can achieve this figure—and move beyond.

REACH will succeed because its guiding principles all aim in one direction: economic independence.

We will require that all able-bodied welfare recipients whose children are two years of age or older participate in programs that redirect their lives toward self-sufficiency. We will also work with these children to lead them to independence.

This is a dramatic break from the existing system, which treats work like an afterthought. You do not have to go any further than our welfare application forms to see the problem. The application is 14 pages long. Do you know where training and working are first mentioned? Page 10.

Two Out of Five AFDC Cases Have Been Prior Recipients



AFDC Cases

REACH will change this. We need to rebuild public assistance around the principle of mutual obligation. We must take the old, abstract idea of the social contract and transform it into a real contract—a written contract—between our welfare recipients and our state. Able-bodied recipients must have the same obligation we all have—to do everything they can to build a future and support their families by finishing school and working. They have a moral responsibility to do so.

Government must follow through on its half of the bargain, by removing the barriers that prevent welfare recipients from becoming independent. We must provide the day care, Medicaid coverage, transportation, training, schooling and the jobs these people will need to succeed.

Consider the case of a young welfare mother named Eileen. She is 18, and has a mother and sister on welfare.

Eileen dropped out in the middle of her senior year in high school. She had to take care of her child after her husband abandoned her—he can't be found.

Eileen says she does not want the kind of life her mother and sister have. She wants to finish school and become a nurse's aide at a local hospital.

That is what she wants. REACH is what she needs. If she had REACH, she would be able to get the day care that would allow her to go back to school. She would get the training program she would need to become a nurse's aide. She would get the help she would need to reclaim her life and her dignity. Hopefully, she would never again need welfare.

REACH's most intensive efforts will be aimed at our young mothers. They are not the only people who receive welfare but they are the ones most likely to become dependent on it. We know that two of five recipients have been on welfare before, and that more than a third of all young mothers who go on welfare are likely to remain there for a decade or more.

Poverty breeds poverty; a child born into a welfare family has a much greater likelihood of going on welfare



too. If we are to make any permanent progress, we must reach young welfare mothers and get them working.

This means that unlike existing programs, we must require young welfare mothers go to school or to work. With proper child care available, women with infants as young as two years of age should be included in these requirements. Men and women all over America are going to work each morning and leaving their children at a day care center, a friend or neighbor. Women on welfare should be no different.

Last year I announced a \$7 million federally funded pilot project in Camden and Newark to work with young mothers with children as young as six months of age. This is an important first step toward the program we want REACH to be.

The Camden and Newark programs will pay special attention to the fathers of welfare children. These fathers should be no different than fathers of children who do not receive public assistance. The latter group supports its children; the former must too. State support should not supplant parental obligations. We plan in REACH to significantly increase the enforcement of child support through several new means.

We know that any program with any real chance of "solving" the welfare puzzle must identify all the pieces before it can be assembled. The private sector is one of those pieces.

For REACH to succeed, the private sector must hold a prominent position. Make-work makes nothing but future problems. If we want recipients to have a genuine shot at getting off welfare, they must be trained to hold and be able to maintain real, private-sector jobs.

REACH, then, will work closely with the private sector and the Private Industry Councils to develop unsubsidized, career jobs that pay a decent salary. To encourage this, we also hope to offer tax breaks to employers who provide health coverage and employ a recipient for at least a year.

We are also aware of another critical element: our counties. They have a critical role to play in our plans. We will build REACH around a county-based system that requires county governments, local private industry and human service groups to work together closely.

There is an old Yiddish proverb: "From fortune to misfortune is but a step; from misfortune to fortune is a long way." That much is true about our efforts.

We will not begin this program on Monday and declare success on Tuesday. There are no shortcuts. To demonstrate quickly that REACH will work, we are initiating a major pilot project in Atlantic City to move 1,000 to 1,500 welfare recipients into permanent, well-paying jobs. I want to commend Senator Bill Gormley for his leadership in proposing this part of the plan.

We plan to begin extending day care and Medicaid support in July to people who get off welfare and get jobs. By October, we want to begin making participation in REACH mandatory in three to five counties. By June 1988, the full REACH program will extend to all of the welfare recipients in the pilot counties and new applicants in 13 other counties. These counties account for 93 percent of the state's welfare caseload. By the end of the third year, all welfare recipients in New Jersey will be required to participate in REACH.

REACH will succeed because it must. If we do not free poor families from poverty, we will truly become a nation of the haves and the have-nots. We will continue to pour billions of our taxpayers' dollars into a system that has miserably failed us all.

Success will not eliminate welfare. There will still be people who cannot work because they are disabled. There will still be mothers with children too sick to be left. There will be others who need our help. And we will gladly give it, but those who can become self-sufficient must do so.

Reforming welfare is a challenge—a great challenge—but New Jersey does not shirk challenges. We have been challenged by a poor economy and have made it productive. We have been con-



*If we do not free poor families
from poverty, we will truly
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and the have-nots.*

fronted by failing schools that now receive passing grades and by crumbling roads that are now being rebuilt.

Now we are confronted with the challenge of breaking the welfare poverty cycle. I am convinced we know how to do it. New Jersey should lead the way.

There is another extremely important challenge we cannot afford to ignore. It is the challenge of our young.

These are troubled times for our young, especially our teenagers. Suicide is the second leading cause of death for adolescents, second only to accidental deaths related to the abuse of drugs and alcohol. Forty percent of our teenagers abuse drugs and alcohol. Another 30,000 get pregnant every year. Add it up and our teenagers are the only population group today with a rising death rate.

Clearly, something is going very wrong for these young people. There is

no way our society should have statistics this stark for so many children.

The antidote is evident. If we get involved in their lives before it is too late, we will avoid many of the tragedies.

Look around the country and you will find excellent programs that do just that. But they are few and far between. And they do not deal well with the multiple problems these teens have or the problems they bring with them from troubled families.

I propose that we invest in the first state program to deal with the troubles of teenagers comprehensively. The best place to put this program is in our schools—the place in our communities where we can reach the largest number of teens.

I have asked our human services department to establish School-Based Youth programs in our schools, at as many as 30 sites. These School-Based Youth Centers will provide a full range of services to support our teenagers. We can be there when they need us.

By providing wise counsel about jobs and school; by arranging for part-time and summer jobs; and by providing health care, drug, alcohol and mental health counseling for teens and their families, we can save a lot of children

These are troubled times for our young, especially our teenagers.

from ruining their lives. We can help them to be drug free, to get a diploma, and find a job.

We are also very concerned about younger children. As part of our statewide Child Assault Prevention Program, we have trained nearly 700 people to teach 75,800 children to protect themselves from abuse. Our citizens supported our efforts by contributing more than \$550,000 from their tax refunds last year to fight child abuse.

Fighting child abuse was one of our top priorities in 1986. I am proud to note that we opened the first child abuse diagnostic center at the Jersey Shore Medical Center in Neptune. And we helped parents have greater peace of mind about the child care centers they use by establishing the first statewide child care referral system. This provides parents with essential information about the child care centers near their homes.

ELDERLY

Children are by no means the only people who are vulnerable. New Jersey's large and growing elderly population also includes many who face a precarious existence.

We want to make their lives less precarious. That is why we have created so many programs expressly for the elderly.

One of the most successful has been our Lifeline program. We have steadily increased this benefit and last year it helped 277,000 seniors pay their utility bills.

Another of our successes has been our Pharmaceutical Assistance to the Aged and Disabled. We have been able to expand this program by more than 53 percent since I took office. It is a terrific program that makes sure our elderly can afford the medicines they need.

We know that the needs of our elderly are not static. Last year our Department of Health studied New Jersey's elderly to see what programs were most needed. Based on that research, I recommend the expansion of our home health care program.

Home health care through the Community Care Program for the Elderly and Disabled is one of our most successful programs. Experts estimate that a long-term care program such as this could allow as many as 25 percent of the elderly who now go to nursing homes to remain in their homes. I urge you to pass the Home Health Care Expansion Act, sponsored by Assemblymen Joseph Azzolina and Robert Singer and Senator Peter Garibaldi.

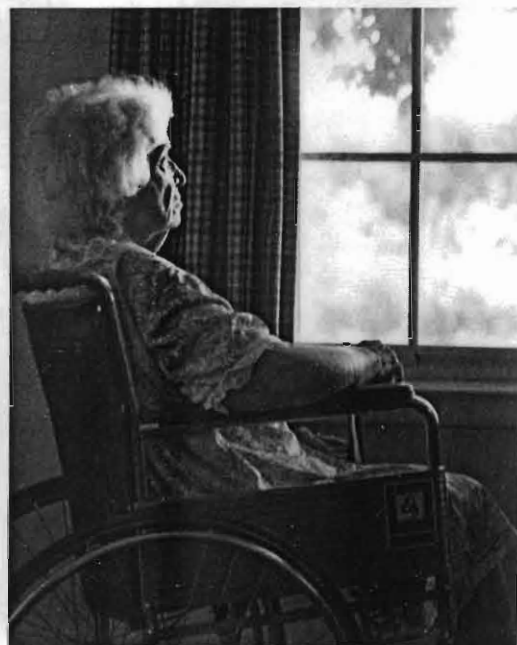
I believe that we should do even more to allow our elderly to stay in their homes. We are already training sons and daughters and neighbors how to care for their loved ones at home. Assemblywoman Marion Crecco has sponsored a bill to give these family members a respite from this demanding task. It is a good bill that deserves your support.



If the elderly must go to a nursing home, it is crucial that they have safe and caring homes to go to, and that their choice is the result of an informed decision.

I am proud to report to you that New Jersey took important steps to add protections last year for our elderly. We created new standards for licensing long-term care facilities. We are producing a Consumer Guide to Nursing Homes and profiles of nursing





homes across the state. And we tightened the rules for nursing homes, giving the state more power to enforce our regulations.

I would like to see us do even more to protect the elderly. Senator Leanna Brown and Assemblymen Robert Singer and John Rooney are sponsoring the Elderly and Disabled Abuse Act that makes the neglect or abuse of an elderly or disabled person a fourth-degree crime. This bill should pass.

Not only must the elderly fight physical ailments, but they must struggle to overcome depression as well. I believe we can adopt a program discovered in Israel to help win this fight.

The Israeli program combines the zest of youth with the wisdom of the elderly to benefit both groups. College students are offered scholarships in exchange for helping the elderly who live in congregate housing. The young learn from the vast storehouse of wisdom the elderly possess, as well as earning money for their tuition. Older people get necessary tasks done for them and can be reinvigorated by the exuberance of youth. I propose that we create a

pilot program in New Jersey to tap these benefits.

We tend to take the holidays and weekends for granted. Christmas, New Year's, Saturday and Sunday—they are a chance to take it easy, sleep in, perhaps putter around the house. But for many of the elderly, holidays mean going hungry.

Meals on Wheels supplies food to our housebound elderly on weekdays, but this program generally does not operate on weekends and holidays. I believe that we must eliminate this trial for our

elderly by expanding Meals on Wheels.

In "Death of a Salesman," Willie Loman's wife Linda yells, "Attention must be paid," and these words do not lose their inherent truth when applied to a slightly different circumstances.

Last year I proposed that we train our medical industry to do a better job of meeting the special needs of our older residents. We will continue our education programs this year to reach our goal of 1,200 doctors and nurses specially trained to serve the elderly.

Our state has such a large elderly population that we must pay special attention to diseases that are unique to them. As Assemblywoman Dolores Cooper constantly reminds us, Alzheimer's disease is one such illness, a tragic one for older New Jerseyans.

We have two diagnostic centers and a pilot day care program to provide day care for Alzheimer's victims. And through a Brookdale Foundation grant, our Departments of Health and Community Affairs have printed a directory for families to discover what resources are available to them to care for their afflicted relatives.



We owe a special debt to another group of New Jerseyans, the more than 800,000 veterans who bravely served our country during times of war. Last May, I opened our state's first veterans' cemetery in Arnetown. Eventually the cemetery will stretch for 184 acres and accommodate all New Jersey veterans who want a final resting place within our borders.

POOR AND THE SICK

Like the elderly, the homeless have unique needs. Too often we see television portrayals of the homeless as the stumbling drunk down on his luck or the crazy woman babbling on the street corner.

The image is deceiving. The homeless today are often families who have faced a personal disaster, a job loss, a serious illness or legal problems that have drained so much from their monthly incomes that there is no money left to pay the rent.

Let me give you an example. Susan is in her mid-20's and has three children. I know of her problems because she called my office looking for help.

Last August, Susan was faced with the same choice many of our poorer families face. Money was tight and she had to choose between paying the rent and feeding and clothing her children. She chose the children.

But her landlord chose the rent, and kicked her out when she could not pay.

Susan stayed with friends. She stayed in a church. She stayed in a shelter. Eventually good will ran out and she was out on the street with three children. After struggling, Susan made the phone call she did not want to make. She called the Division of Youth and Family Services and asked them to place her children in foster homes.

Robert Frost once wrote that "Home is where they have to take you in," but for people like Susan, there too often is no home.

We must do better to make sure there are places to go. We are making a greater effort to ensure that there is affordable housing for the long-term, and we must do better at providing emergency housing to fill in the gaps.



For instance, there are buildings that non-profit and private groups use for shelters—that often are forced to close because they do not comply with our fire and occupancy codes. I propose that we add money to our Housing Demonstration Fund to help these groups comply with the codes. I believe this will create additional beds for our neediest citizens.

Do you know that last year a number of families—families like Susan's—were broken up simply because they could not find a place to live? The state had to take 900 children because their mothers and fathers could not put a roof over their heads.

I do not want to see this continue. In addition to DCA's homeless prevention program, I am asking Human Services Commissioner Drew Altman to develop a program that will aid homeless families before they become so desperate. I believe this can be done with a minimum of new state funding by shifting money used to care for displaced children and by seeking regulatory changes to attract federal matching funds.

The homeless are the most noticeable of our poor, but they are not the only poor who need our special attention. A disproportionate number of our poor are black New Jerseyans. One in four black families lives below the poverty line. One in three black children is living in poverty. Six in ten black children live with one parent compared to just 16 percent of white children. Six out of ten black babies are born out of wedlock. Sixty percent of urban black teenagers cannot find a job.

New Jersey must take a fresh look at the problems our urban black families face. To do this, Community Affairs Commissioner Leonard Coleman has formed a commission to study the plight of black families in New Jersey. He has my full support. Unless we act now, the next generation of black New Jerseyans will pay a steep price.



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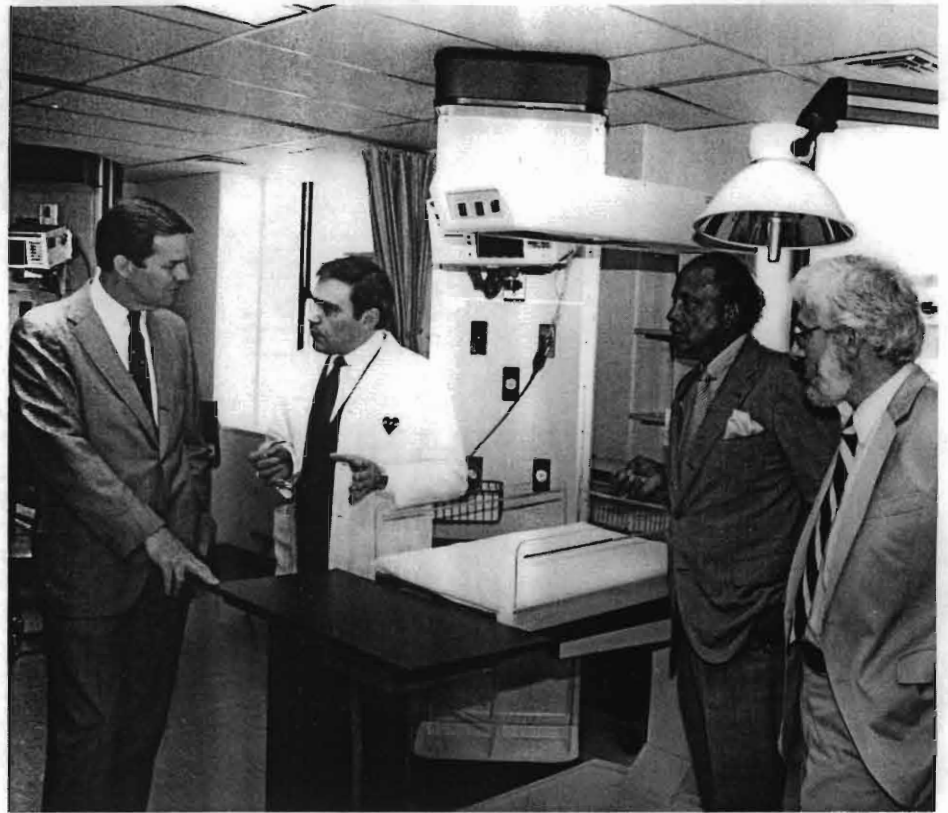
HEALTH

Throughout this message, I have talked about investments: investing in our poor; investing in our teenagers. There is another investment that should come even earlier. Last year I announced to you a program to substantially lower the rate of infant mortality in New Jersey. Through this program—"Health Start"—we would improve the health of poor pregnant teenagers, young mothers and their babies. We anticipate that Health Start can reach 33,000 Medicaid-eligible women and their infants.

Health Start builds on past state efforts to expand the availability of essential high quality maternity and child health services. The most recent of these efforts has been the funding of the Healthy Mothers/Healthy Babies coalition in 10 of our cities.

Although these accomplishments were admirable, the time has come to expand our efforts. As this message was written, you had not yet passed legislation necessary to get Health Start on its way.

I urge you to pass it quickly. Not only is it a question of reducing the state's future medical bills by \$1 million annually, it is, for some babies, a question of life and death.



Health Start will go a long way toward reducing future medical bills by producing healthier babies. It will help reduce our infant mortality rate further and with federal government reimbursing the state for half of our costs, it will not tax our treasury unduly.

Earlier this month we took another step toward a healthy New Jersey when I signed legislation creating the Uncompensated Care Trust Fund. This will make sure our hospitals do not go bankrupt while still providing nearly \$250 million annually in care for those who are unable to pay. New Jersey is one of the first states to enact this legislation.

The Departments of Health and Human Services are also developing programs to deal with the most troubling health development of this generation: Acquired Immune Deficiency Syndrome (AIDS).

I am sure few of you need to be reminded of the magnitude of our AIDS problem. By the end of 1986, more than 1,700 cases had been reported and 62 percent involved drug-users, their sexual partners and children.

The Department of Health has responded to this epidemic by establishing services for AIDS victims and redoubling our efforts to stop its spread by educating the public.

Limiting the spread of AIDS is our best hope in the short run. We are doing several important things. We are increasing our educational efforts in the schools. And we are attempting to reach the intravenous drug users, the segment of the population here that is most likely to contract the disease.

Recently, we have gone to the streets to try to persuade drug users to stop sharing needles. And we have begun using a mobile health van in a pilot program in Newark.

This is what government can do. As

extensive as our programs are, they are not enough. Much of our success in protecting vulnerable New Jerseyans in a number of areas depends on our volunteers.

As public money becomes scarcer, we must look to volunteers to do more. In November 1985, I established the New Jersey Office of Voluntarism. This office has the important job of encouraging and expanding the efforts of private citizen groups. I look forward to greater volunteer contributions in the coming year.

I often speak of New Jersey as one big family. As a family we must be willing to extend our prosperity and good fortune to the less fortunate. We do this because of a moral imperative. The strength of a chain is determined by our weakest link. A society is measured by how well it protects the weak, the infirm and the poor.

If we truly care for all the members of our family, we will continue in the year ahead to look out for the needs of vulnerable brothers and sisters.



Sam Ehrenhalt is not a New Jerseyan. He does not live or work here. He is not paid by the state. He has no interest in promoting New Jersey.

So when Sam Ehrenhalt, the region's top federal labor official, said last month that New Jersey's three-decade low unemployment rate was caused in good part by our superior transportation system, it commanded attention.

"New Jersey has an awful lot going for it," Ehrenhalt told the newspapers. "You can still move around in New Jer-

sey. You've got the infrastructure being put in place and are really beginning to benefit from it in a major way."

We are beginning to benefit because of the ambitious program we began three years ago, the Transportation Trust Fund. I knew that if we provided the physical wherewithal to support business, business would choose the path of least resistance—New Jersey.

After spending \$2.7 billion in three years, the Transportation Trust Fund has created pathways of opportunity for businesses—and the people they employ—to live and work in the Garden State. In the process, we have created 38,000 construction-related jobs.

... the Transportation Trust Fund has created pathways of opportunity for businesses—and the people they employ—to live and work in the Garden State.

In the last year alone, we completed the "missing link" in I-78 in Union County. Now you can go practically from the Pennsylvania border all the way to New York City without getting off a major highway.

The benefits have been twofold. We have opened another region of the state



to economic development, and we have improved the lives of the people in Union County who had to endure the clanking of trucks and cars as people exited I-78 and crawled through their side streets.

This would not have been possible without the Trust Fund. Nor would the extension of Route 55 in Gloucester County or renewed work on the Trenton Complex have been possible without this stable source of funding. We could not have begun building the Route 18 Freeway, the Route 33 Bypass, the Route 24 Freeway or Route 287. We could not have removed the Eatontown Circle.

These were just a few of the projects the Trust Fund helped pay for. No matter where you live, there is probably a Trust Fund project underway near your home. It is a far cry from the way things used to be in the Seventies. Back then we were actually turning back federal highway money because we lacked state matching funds.

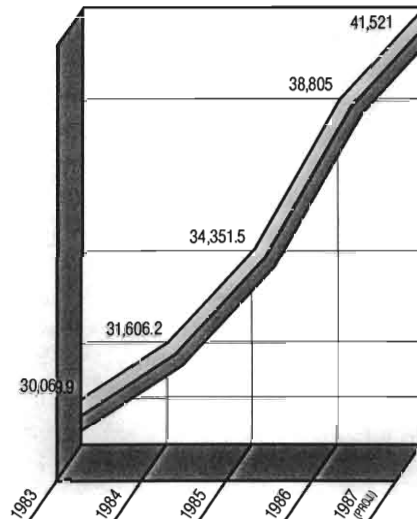
The Trust Fund also benefitted New Jerseyans who did not drive to work—or even own a car. More than \$200 million was raised through the Trust Fund for public transportation. We used this money to attract another \$435 million from the federal government, and combined with other available money provided New Jersey with \$735 million to spend on mass transit.

Ridership on New Jersey Transit is up, primarily because our buses and trains run on time and are clean and convenient. Ridership on the Morris and Essex line, for example, is up 40 percent since we electrified the line two years ago.

People use our trains and buses because we have made the necessary investments in the system. Fueled by the Trust Fund, we have invested in 1,100 new or rehabilitated buses for NJ Transit and private carriers. The Trust Fund will pay for 9,100 additional seats on NJ



*NJ Transit
Rail Passenger Trips*
(in Thousands)



Transit trains. We invested in the electrification of the North Jersey Coast Line, the construction of the Atlantic City line and the design of the Kearny connection.

A good deal of the money was used to make our rail lines safer, replacing old track with new track, rehabilitating old bridges and tunnels and installing new signal systems. We are rebuilding Newark's Penn Station and have ex-

panded parking outside of 26 other stations. These added spaces accompanied the 6,000 park and ride spaces built by NJ Transit and the Port Authority of New York and New Jersey last year.

And while the state paid for most improvements, the Port Authority made significant contributions to improved mass transit. The \$800 million PATH improvement program continued this year, and commuters were able to ride in 38 new or rehabilitated cars, through newly improved stations. At the same time, the Port Authority purchased 110 new articulated buses to move commuters faster and more cheaply.

We also began to solve the crushing traffic that jams the streets of the Hudson waterfront and the river crossings. If we don't cut this knot, it will choke further growth and prosperity for the people of the north.

Cars are the problem, and our solution is to reduce the dependency on the automobile. We won a \$20 million grant from the Urban Mass Transit Administration and drew \$50 million from the money Governor Cuomo and I set aside for regional development in 1983 to begin building the Hudson Transitway.

This 15-mile light rail, bus and road system will move people easily from Edgewater to Jersey City. The Port Authority has already begun the relocation of existing Conrail track that must be moved before the Transitway can be built. I am proud that funds from the Bank for Regional Development, also



established under the agreement between Governor Cuomo and me, are helping to pay for this relocation.

When the Transitway is complete, it will help open the Hudson Waterfront to its full potential. We believe it will carry 14,000 people an hour to home and office, work and play. It is an essential part of our waterfront's rebirth.

Growth was not confined to the waterfront, though. Newark Airport—the world's eighth busiest airport—also continued to grow last year. Passenger volume grew by 6 percent while flights were up 4.3 percent. The 28-acre Federal Express Metroplex opened this past year to serve the airport and a new cargo building became operational. When Terminal C opens for business later this year, I expect further growth.

Ridership on New Jersey Transit is up, primarily because our buses and trains run on time and are clean and convenient.

By any yardstick, last year—like the proceeding two years of the Trust Fund—was a smashing success. It is not surprising that when Sam Ehrenhalt looked at our rail, roads and bridges he said they gave New Jersey “the competitive edge.”

But if we are to keep up the good work, if we are to manage our success

best, we are going to have to continue to move forward. As John Kennedy once said, “We cannot be satisfied with things as they are. We cannot be satisfied to drift, to rest on our oars and glide.”

We must continue making travel easier up and down the Hudson—and across it. I was pleased to see the development of the TransCom coalition to manage traffic in our region better.

The Port Authority used the regional development bank to fund improvements to the Lincoln Tunnel approach and build the Bayonne Bridge-Route 169 Connection. But the Port Authority must accelerate plans for trans-Hudson

ferries and a new rail connection from Newark and Elizabeth to Newark Airport.

And we must continue to find ways to involve private companies in solving the New Jersey/New York transit puzzle. I look forward to receiving suggestions from the Private Sector Transit Center and I thank the Port Authority, NJ Transit, PATH and the Metropolitan Transit Authority for their support of this organization.

NJ Transit must recommend whether it is wise to restore the West Shore line in Bergen County, to add more park and ride lots and extend public transportation for the



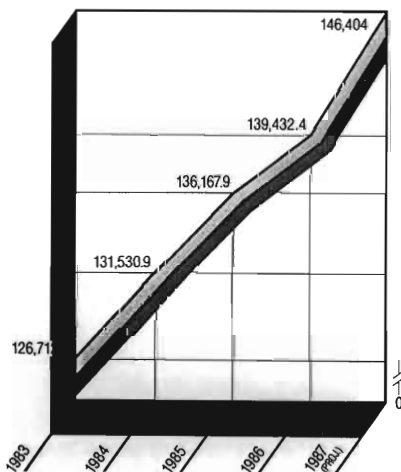


Meadowlands. Priorities must be set to allow us to move forward toward our long-term goals.

The people of New Jersey deserve the cheapest and best transportation options possible. Free competition in the transportation sector may be the way to accomplish it. I ask Commissioner Hazel Gluck to study ways to develop for-profit, privately owned and operated transportation systems.

Construction and job creation have moved so fast in New Jersey that it has put an unprecedented demand on our transportation system. The dizzying growth has overrun traditional local and county boundaries raising regional questions.

*NJ Transit
Bus Passenger Trips*
(In Thousands)



The Department of Transportation must have the ability to solve these problems on a regional basis through coordinated planning, the idea embodied in three bills introduced late last year. I strongly urge the Legislature to move quickly and pass the "Transplan" legislation contained in the bills proposed by Assemblymen Bob Franks, Robert Littell, Chuck Haytaian, Newton Miller, Robert Shinn and Bennett Mazur.

I am extremely pleased to see that these bills, sponsored in the Senate by Senators Francis McManimon, James Hurley, Thomas Gagliano, Walter Rand and Thomas Cowan, have bipartisan support.

We must have the capability to manage our growth. Otherwise, we will literally be run over by our own success.

There is another change we must make if we are to retain our grip on wise and orderly development. State law requires the Transportation Commissioner to develop a master plan for all transportation development in the state. The law makes the commissioner legally responsible for the development of new and old transportation systems.

Despite this responsibility, the commissioner is not a member of agencies, authorities and commissions making transportation decisions. We need to rectify this.

I believe that the commissioner should remain a voting member of the

organizations on which she now serves. More important, the commissioner should become an ex-officio member of the Turnpike Authority, the Highway Authority and the Expressway Authority.

We must have the capability to manage our growth. Otherwise, we will literally be run over by our own success.

In addition, the state law requiring these organizations to comply with the master plan should be expanded to require compliance by the Delaware River Joint Toll Bridge Commission, the Delaware River and Bay Authority, the Palisades Interstate Park Commission and the Burlington and Cape May County bridge commissions.

These changes will improve communication and coordination and reduce the likelihood that an ill-conceived transportation project would be developed.

TRANSPORTATION TRUST FUND II

But most of all, if we are to move forward, we must renew the Transportation Trust Fund.

The Trust Fund was originally intended to be a four-year program. Rising construction costs—and a lower-than-expected outlay of federal funds—plus a pent-up demand of projects caused us to exhaust funding in three years rather than four.

Too much work is incomplete. We must have a new Trust Fund.

It is essential. I will not rest until we have one.

I propose a new, four-year program that would begin in Fiscal Year 1988 and end in Fiscal Year 1991. The new Trust Fund would spend \$3.9 billion to continue the work on Routes 55, 18, 30 and 1. It would continue to improve our rail and bus system and help complete the Trenton Complex.

The program I am proposing to you would take the Trust Fund into an area

it has barely scratched: county and local road improvements. This new proposal—earmarking \$105 million for local and county roads—would double the amount of money available for those projects. Twenty million dollars would fund a new county aid program and would include incentives to develop transportation development districts. Municipal aid would increase by more than 100 percent, from \$19 million to \$40 million.

Not only would we double local aid, we would double mass transit spending and more than double highway spending. We would continue a rebuilding program that created 38,000 construction jobs and create more jobs. We would be able to maximize planning efficiency which helps reduce the cost of construction by avoiding delays. Most of all, we would continue dramatic economic development in New Jersey.

Few people would argue against our program, but there are many who disagree about the best way to pay for it. Those disagreements must be settled in the coming months.

The public understands this. According to a Gallup Poll commissioned last summer by the Alliance for Action, a startling 97 percent of New Jerseyans said a good system of roads and highways is important to our economic growth. Seventy-two percent of the respondents said they favored continuation of the Transportation Trust Fund, and of those who favored continuation, fully 56 percent supported a 5 percent hike in the gas tax to pay for it.

This is especially impressive because tax proposals in polls usually receive the same response as the Dallas Cowboys in Giants Stadium.

Trust Fund I expires at midnight July 1. We cannot afford to do without it.

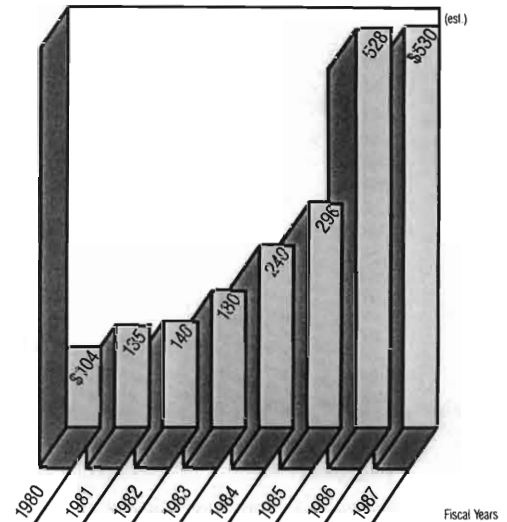
Last month I appeared on a local radio program. A woman named Sherry from Sussex County called and complained that it took her two hours to get home from work, even though her office was only 15 miles from home. "How can we end the logjams on our roads?" she asked. "How can we spend less time stuck in traffic?"

The answer is the Trust Fund renewal. With it, we can continue to improve roads all over the state. We can

According to a Gallup Poll . . . a startling 97 percent of New Jerseyans said a good system of roads and highways is important to our economic growth.

manage the success that our booming economy represents. We can continue to successfully attract new businesses to New Jersey.

NJ Dot Construction Contract Awards
(In Millions)



One night last January, a camper with Texas license plates sped across the Delaware Memorial Bridge at 65 miles an hour and entered New Jersey. State Police officers James Campbell and Christopher Wentz flashed their lights and pulled the van over for speeding. The driver's registration and license did not match, and he finally admitted that he was an illegal alien. Sensing something else was wrong, the police officers searched the van. Hidden in a false ceiling, they found many plastic bags of white powder.

Officer Campbell, who had twice been named Trooper of the Year for his drug arrests, knew they had found cocaine. But it was more cocaine than either officer had ever seen: 500 pounds of cocaine, worth \$12 million. It was more cocaine than the State Police had confiscated in the entire previous year. It was the biggest drug bust in State Police history.

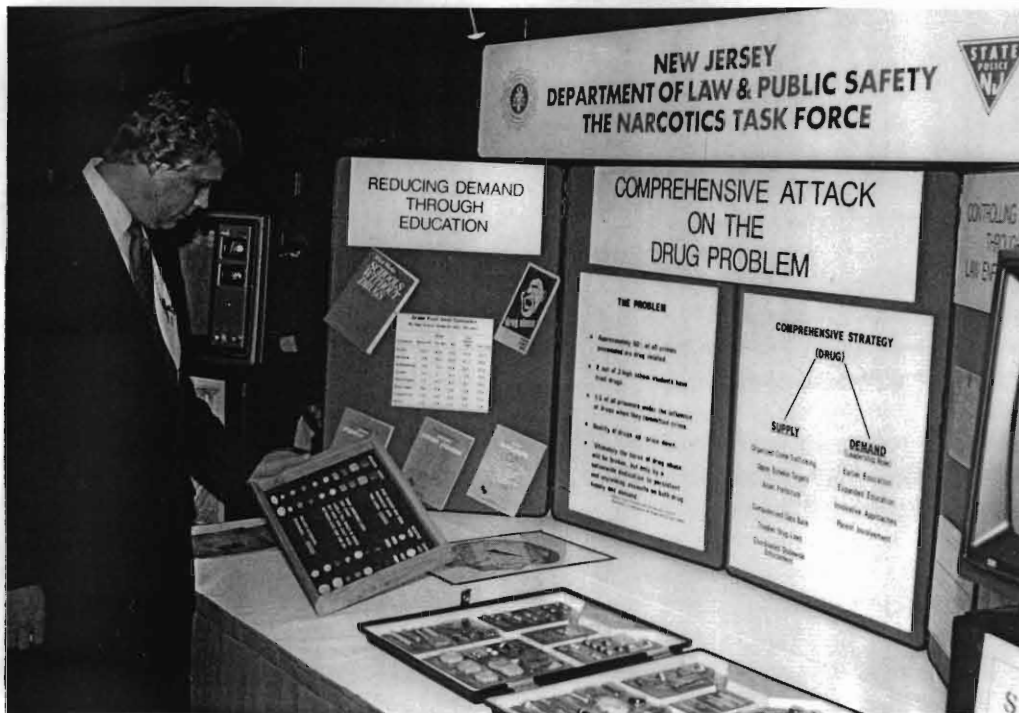
This arrest in South Jersey's "Cocaine Alley" reflects the difficulties our law enforcement officials face. The criminals have little to lose and are backed by powerful illicit networks. They are more sophisticated and more desperate than criminals used to be. Police need not only keep their wits about them. They need new tools to crack the criminal networks.

In 1986, New Jersey gave our officers the tools to fight crime and keep our citizens safe. We established ourselves as a national leader in fighting drugs, organized crime and environmental pollution. In 1986 Attorney General Cary Edwards gathered the state's law enforcement agencies into two task forces to fight drugs and organized crime.

In 1986, New Jersey gave our officers the tools to fight crime and keep our citizens safe.

We formed the statewide Narcotics Task Force to coordinate law enforcement officers against drug trafficking at





every level—local, county, state and federal. We formed the Organized Crime, Corruption and Racketeering Task Force to develop cases based on existing racketeering statutes. Both task forces aim at the leaders of criminal organizations.

This is an aggressive approach. But law enforcement officials must be aggressive to defeat these networks. More than ever, the different law enforcement agencies must work together to take the profit out of crime.

DRUGS

Crime is escalating all across the nation, and New Jersey is no exception. This is especially disappointing to me because crime had dropped more than 20 percent during the first three years of my administration. While crime is far below 1981 levels, I am deeply disturbed by the latest numbers.

The crime rate has begun to rise as the flow of drugs has increased and as new and dangerous drugs have become available. During the first nine months of 1986, State Police confiscated more than twice as much cocaine and more than three times as much marijuana as they had the previous year. And they increased arrests in major drug sales by close to 75 percent.

Drugs are involved in half of the crimes committed in this country and

half of teenage suicides. They are a danger to our children and a threat to our entire way of life. Together we must attack illicit use of drugs and alcohol at their roots.

That is why in July the Attorney General created the Narcotics Task Force. The aim of the Narcotics Task Force is to knock out the drug network, not just the small-time street corner pusher. To do that takes intelligence information and coordination. The Task Force is setting up a computerized data bank on criminal intelligence that will be available to all law enforcement officers. It will help in investigations. When a drug investigation spans two or more counties, the Task Force will coordinate it.

The Task Force cannot do it alone. That is why in October I asked that you join me in forming a united front against the drug merchants of this state. At the time, 93 separate drug bills awaited passage in either the Senate or the Assembly. While I admired your initiative, I believed that such a chaotic situation would hurt rather than help our war on drugs.

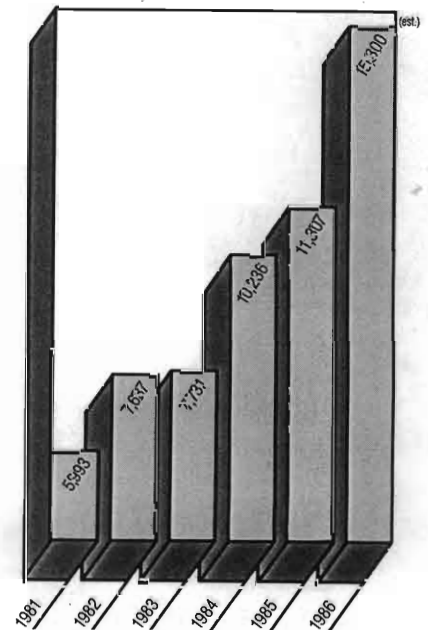
Instead, I presented to you a comprehensive strategy to attack the drug and alcohol problem, a strategy few other states have taken. It was called "Blueprint for a Drug-Free New Jersey," prepared by my staff and the

Narcotics Task Force. It incorporated many of the good ideas already in the Legislature and the report issued by the New Jersey Drug Abuse Advisory Council. The Blueprint presents a program, I believe, all of us can support.

First, I recommended reform of the state's drug laws. I urged you to transfer drug offenses currently defined in Title 24 to Title 2C of the New Jersey Criminal Code to allow less discretion in sentencing. And I urged you to create several tough new offenses to punish the kingpins who operate drug networks and drug laboratories, and the pushers who sell to our children, consistent with available prison space.

Cocaine Drug Arrests

Opium or Cocaine and their derivatives



Since then, our Comprehensive Drug Reform bill, which would transfer drug offenses to the New Jersey Criminal Code and is sponsored by Assemblyman Walter Kern, has been reported out of committee and is ready for a vote in the Assembly.

As of this writing, the School Drug-Free Zone bill, sponsored by Senator Frank Graves, has passed the Senate. An identical bill, sponsored by Assemblyman Nick Felice, has been re-

leased by the Assembly Judiciary Committee and is now before the full Assembly. I expect action on both bills very early this year.

As the second part of my plan, I recommended expanding drug education from kindergarten through 12th grade in the public schools. I urged each district to develop plans to deal with children found to have drug problems. I also called for expanded treatment programs to handle the thousands of addicts who currently must turn elsewhere for help.

Third, and perhaps most important, I urged each of the 567 cities and towns in our state to join me in creating "An Alliance for a Drug-Free New Jersey."

To join the Alliance, a town must create a drug and alcohol curriculum approved by the Department of Education. It must provide education for parents on substance abuse. It must

... criminals who prey on our children are very well organized. It is time for the decent citizens of this state to get organized, too.

adopt clear methods for dealing with students who take drugs. And it must form a local alliance of parents, teachers, students, police and businesspeople to fight drugs in their towns.

In return for joining the Alliance, the towns will be eligible to receive state grants for local drug programs from new penalties charged to drug offenders.

I turned these recommendations over to a cabinet task force headed by Attorney General Edwards. They are currently working on a plan to put these recommendations in place.

It is important to remember that the criminals who prey on our children are very well organized. It is time for the decent citizens of this state to get organized, too. Let us work together this year to beat this deadly menace.

ORGANIZED CRIME

Most of the drug trade is run by organized crime. So are many other criminal activities in this state. As the crossroads of commerce in the Northeast, New Jersey has always been an attractive target for mob activity.

New Jersey has probably been more active than any other state in prosecuting organized crime in the last 15 years. We have driven many organized crime leaders from New Jersey. But we must do more to stay ahead of the new leadership that inevitably surfaces.

That is why Attorney General Edwards last year formed the Organized Crime, Corruption and Racketeering Task Force within the Divisions of Criminal Justice and the State Police. It will use the racketeering and forfeiture statutes (RICO) to not only arrest the leaders of organized crime but destroy the organization and take away its assets.

The 150-member task force includes state police, lawyers and criminal justice investigators. Our idea, as with the

Narcotics Task Force, is to have the lawyers and police officers working together from the beginning to build rock-solid cases against these mobsters.

The Organized Crime Task Force has already developed several major cases this year. In July, the task force found New York contractors in a multi-million dollar conspiracy to illegally dump construction debris at sites in North Jersey. Ten people were arrested.

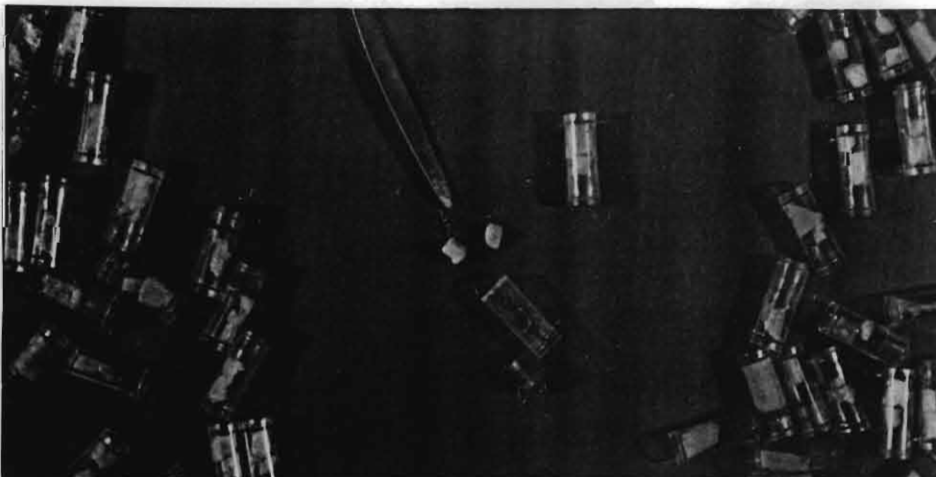
In September, the task force shut down an entire illegal gambling operation in Newark. Forty-one alleged mob members were arrested in the \$1 million a week gambling and loansharking operation.

We want lawyers and police officers working together from the beginning to build rock-solid cases against these mobsters.

In October, the task force arrested alleged South Jersey/Philadelphia mob boss Nicodemo Scarfo and 17 other mob figures on charges of racketeering, loansharking and gambling. And police are investigating Scarfo's alleged involvement in violent criminal activities in South Jersey. Scarfo's arrest is very important. He is reputed to be the last of the traditional organized crime family leaders still living in New Jersey.

These operations are just the beginning. Using the RICO statutes, New Jersey law enforcement authorities are not just taking away the die from organized crime, we are closing down the house for good. Over the next three years, I believe the task force can cripple traditional organized crime in New Jersey.

Another task force was formed this past year to attack crime at its root. The state police and the FBI mounted a joint offensive against car thieves. Car theft has risen dramatically over the last 10 years, to the point that it is now the top property crime facing New Jerseyans.



Cars are very often stolen for their parts. They are cut up in "chop shops" and resold. That is the main reason for car theft. Insurance fraud is another. In the end it is the honest working people of the state who pay the bill.

In 1986 the task force launched two major undercover car theft operations, one in Essex County and the other in South Jersey. They resulted in dozens of arrests and the recovery of about \$1.5 million in stolen property.

Car theft will remain a severe problem. But we hope that our law enforcement efforts, insurance fraud initiatives and a new federal regulation requiring all major car parts to be numbered will help put many New Jersey car thieves and chop shop operators out of business.

CRIMINALS AND COURTS

We are looking at other methods of reducing crime. Statistics show a large percent of the felonies in this nation are committed by career criminals. We want to make sure these recidivist defendants get swift trials. And if they are guilty, we want them behind bars right away so they cannot hurt other innocent citizens.

That is why I am calling on you to pass legislation this year creating the Targeted Offender Prosecution Program. It is designed to help the Attorney General and county prosecutors



quickly identify the most hardened criminals and make sure the justice they receive is as swift and as certain as possible.

This legislation will let law enforcement officials focus on crimes such as robbery, car theft, burglary, drug distribution, sexual assault or aggravated assault, where we have seen the greatest increase this year. In short, it will help officials to better do their job of protecting the rest of us law-abiding citizens.

I again ask you to put on the ballot a constitutional amendment to change the so-called exclusionary rule of evidence. Now, if a police officer conducts a search in good faith but makes a technical error, none of the evidence

can be used in court. That is wrong. That is what I think. And that is what the U.S. Supreme Court thinks, too. In 1985 the court ruled that evidence obtained in a search and seizure done in good faith should be admissible.

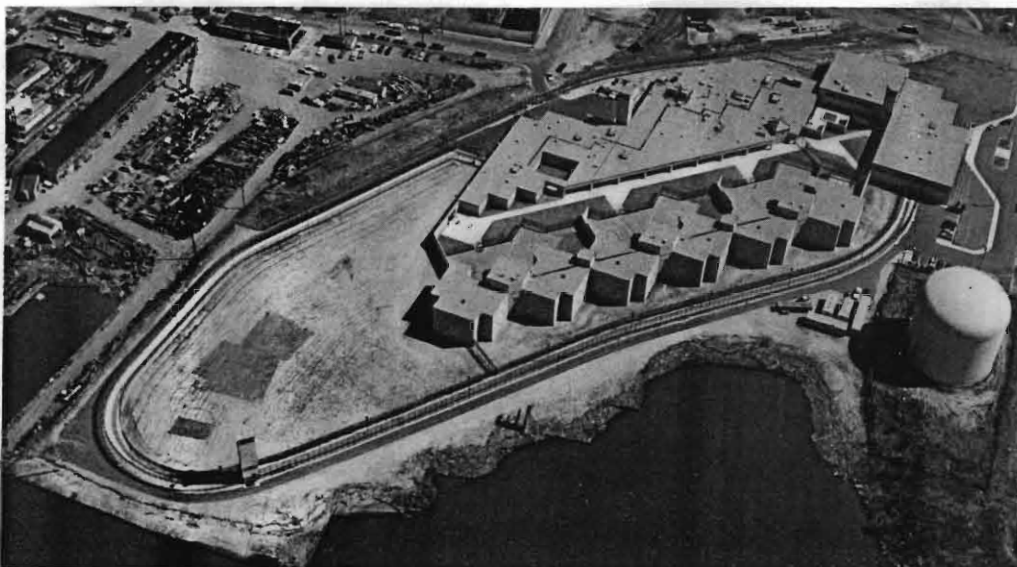
I also repeat my request to the State Senate to support a preventive detention amendment to the state's constitution. This would allow judges to deny bail to violent criminals who we know are threats to society. How many times have you heard of a violent crime committed by someone out on bail? Statistics show 15 percent of violent crimes are committed by people on bail and awaiting trial.

Criminals who repeatedly attack the innocent have no place on the street. Judges must be given the power to hold them in prison to await trial. Last year the Assembly passed a bill sponsored by Speaker Chuck Hardwick to allow our citizens to vote on this amendment. The Senate so far has refused to consider it.

Our goal is not to have citizens languish in jail without a trial. We do want to see them behind bars as quickly as possible if they are guilty of a crime. That is what the "Speedy Trial" program does. Begun five years ago, the Speedy Trial program has cut the time between arrest and conviction in most cases from more than one year to less than six months. Convicted criminals are in jail more than 50 percent faster than they used to be.

When people accused of crimes come to trial, very often they ask for court-appointed attorneys. Twenty years ago New Jersey began a centralized public defender system, and today it remains one of the finest in the nation. Last year the public defender's office handled more than 45,000 cases for indigent adults and juveniles. Over the last two years, the office has reduced its backlog by 58 percent by Speedy Trial methods, computers and phasing out part-time attorneys. The public defender system makes sure everyone gets a fair trial no matter what his or her financial situation.

In recent years, New Jersey has toughened sentences on convicted



criminals. In 1982 I signed the death penalty law sponsored by Senate President John Russo. Last year I again signed legislation sponsored by Senator Russo that increases prison terms to 30 years for people convicted of aggravated manslaughter and kidnapping. If the kidnapping victim is 16 years of age or under, sexually abused, or forced to participate in pornography, the kidnaper faces a mandatory sentence of 25 years to life. And the 25 years will be served without parole. It is a tough law, but it is fair, considering the grievous offense involved.

Tough laws like these have crowded our prison system. We have responded by almost doubling the number of state prison cells. This year we will complete the new 1,000-bed Northern State prison in Newark.

Despite our aggressive prison expansion program, we are still more than 2,500 beds short, and if trends continue, we are likely to be 2,800 short by year's end and more than 3,000 short by 1990. Tough new drug laws, if enacted, will add to those numbers and surely break our prison system. I would be forced to veto such laws—much as I would hate to do that—without the 700 to 1,000 new prison cells needed to hold drug convicts.

I have asked a cabinet task force to investigate all possibilities for new prisons, including the possibility of refitting navy troop transports as floating prisons. This alternative may be much faster and cheaper than building conventional prisons. However we do it, we need more prison space while we simultaneously pursue alternatives to incarceration.

Life in prison can be brutal and anything but rehabilitative. During the past year the state corrections department has begun a program to remedy that. The Working Inmate Network (WIN) provides inmates with work ex-

perience and a change to repay society. This year they began a major cleanup of debris on city-owned lots in Newark. I would like to see this program expanded this year. And I would also like to see more programs to treat those inmates with drug and alcohol abuse problems. Only with treatment will we prevent recidivism.

We often hear the criticism that the law is too concerned with the criminal and not concerned enough with the victim. I am proud to say that is not the case in New Jersey. In 1986 I signed several important bills to help victims and witnesses of violent crimes.

Beginning this month, county prosecutors will have on staff advocates for crime victims and witnesses. If someone witnesses a crime or becomes a crime victim, this office will protect his or her interest. In April, the Attorney General will issue statewide standards for the way law enforcement agencies should deal with crime victims. That will ensure that the rights of crime victims are enforced.

We are sending a strong signal to potential polluters that if they dump on the Garden State they will be arrested and fined.

ENVIRONMENT

New Jersey is emerging as a leader in identifying violations of the environment as criminal acts. Over the past year we have taken the lead in prosecuting hazardous waste polluters and illegal dumpers. We have, when necessary, gone after the officers of major corporations and collected the largest single fine in the state's history—\$1.25 million—for illegally disposing of toxic material. We are sending a strong signal to potential polluters that if they

dump on the Garden State they will be arrested and fined.

Strict enforcement of our pollution laws is working. But we have to do more. We need tougher laws to punish companies and their executives. We need a tool, like the RICO law gives us against organized crime, that would take the profits and property away from chronic polluters.

For the first time, I am recommending an Environmental Pollution Control bill that would serve as such a tool. This new initiative would create specific environmental criminal laws and increase the penalties for those who pollute again and again. With this new law we could impose fines against polluters of up to \$1 million per act. We could throw these executives in jail. And most important, we could strip them of any profit from fouling our air and water.

Pollution profiteering is a lucrative business and it will take a tough law like the Environmental Pollution Control bill to take the profit out of it. That is why I urge your support of this new bill.

We in New Jersey realized several years ago that to only pursue pollution profiteers in our own state is myopic. A nearby state's pollution can quickly foul our air and water.

That is why New Jersey took the lead in forming the Northeast Hazardous Waste Project. Now, from Maine to Virginia, law enforcement officials and pollution control specialists are working together to curb pollution regionally. They are sharing information, developing training programs and cooperating in investigations. In 1986, we even helped nine western states develop a program similar to the Northeast Project. New Jersey has served as central headquarters since the Northeast Project began. We remain the state that other states and the federal government look to for leadership on environmental enforcement.

LAWS AND INITIATIVES

Sometimes we forget that in a democracy it is not only up to law enforcement agents to enforce the law. Enforcing the law is up to each one of us. If someone in this society can be fired for reporting the illegal acts of an employer then society as a whole suffers.

With that in mind, last September I signed the "whistleblower's law" sponsored by Sen. John Dorsey. The law prohibits the firing, suspension or demotion of an employee who discloses wrongdoing or illegality by an employer. It allows employees to testify before public bodies without fear of reprisal. It is necessary not only for the employee's security but for the good of society.

Another necessary law which I signed in October requires criminal background checks on all applicants for jobs in public schools. I congratulate Assemblyman John Hendrickson and Sen. Leonard Connors for their sponsorship of this vital piece of legislation.

The number of child sex abuse cases has risen dramatically in the last few years. This new law serves as one defense for our children. It says, "If you want to work in our schools, if you want to be with our children on a daily basis, you must let us check your background."

New Jersey is one of the premier states in the sport of boxing. More events were held last year in New Jersey than in any other state in the nation. To give you an idea of how the sport has grown, in 1976 only 11 events were held all year. Ten years later, more than 150 events were held.

Despite the number of bouts, safety comes first in New Jersey boxing. We are holding promoters and fighters to tougher standards before sanctioning bouts. The state Boxing Commission stopped 10 bouts from occurring last year for reasons of health and safety of the boxer. Other states now recognize New Jersey as a leader in boxing safety.

New Commissioner Larry Hazzard, a former world class amateur boxer himself, has embarked on a gymnasium safety program. He has also expanded drug testing and started a program to help boxers get their high school equivalency degree.

In the year ahead, the commission wants to improve medical accident insurance coverage for boxers. It will also conduct studies on thumbless gloves and headgear. I am firmly convinced that making boxing a safer sport will make it a better one.

One of the most urgent tasks my administration has faced has been the reform of the Division of Motor Vehicles

(DMV). The DMV directly affects the lives of 5.2 million New Jerseyans who depend on their cars. An inefficient DMV hurts the whole state.

I have asked Attorney General Edwards to reform the DMV agencies and he reports the reform is well underway. A new management team is in place. They are moving toward the goal of getting politics out of the agencies so they can be run as efficiently as a first-class retail store.

The state took over 10 privately-run agencies last year and opened a new agency. Today the state runs 25 of the 55 agencies and the system is much improved.

With your action, we also made the public/private inspection system permanent, ensuring that New Jersey's motorists will not have to wait in long lines to get their cars inspected.

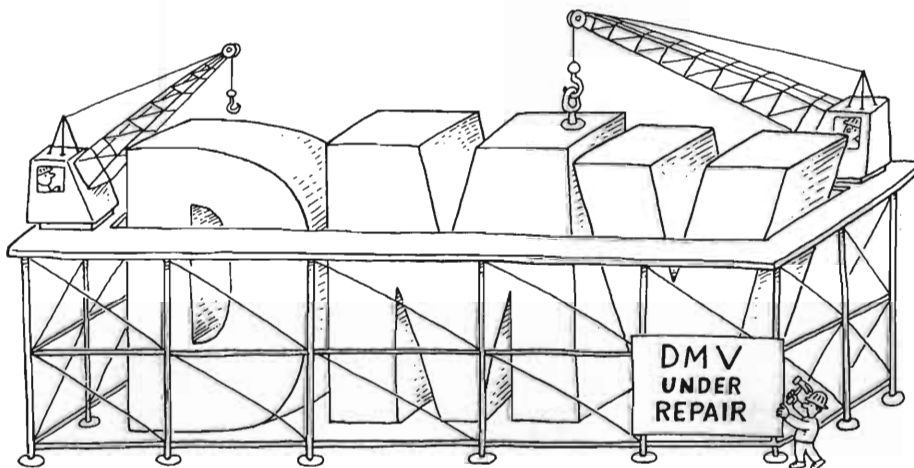
During the next six months, members of the DMV and management experts in and out of government will be

It took decades to mire the DMV in politics and inefficiency. It is going to take at least two or three years, . . . to free it.

working to plan the future of the Division. They are developing specific reforms concerning facilities, personnel, budget and finances, field agencies, customer complaints, public information, data processing and enforcement. When they are done we will be ready to create a new DMV—one that is courteous and efficient and treats its customers as a private retailer would.

It took decades to mire the DMV in politics and inefficiency. It is going to take at least two or three years, and a commitment of state resources, to free it.

There are other reforms I am proposing. It has been a decade since the people of New Jersey passed a constitutional referendum authorizing casino gambling in Atlantic City. In that time





the law has been amended and supplemented in minor ways.

Despite that, I think it is time for a thorough re-evaluation. I am urging the Legislature to move ahead with a review of the entire act to see how it has worked and is working, especially regarding disputes between the industry and the Division of Gaming Enforcement and the Casino Control Commission.

I will also ask you to raise the cap on insurance companies' contributions so we can better fund investigations into insurance fraud. Right now the amount raised is not enough to strike aggressively at the heart of insurance cheating. Insurance fraud is a large reason rates in New Jersey are so high. With more money, Insurance Commissioner Ken Merin and Attorney General Edwards can create a fraud unit to reduce fraud and hopefully reduce rates.

The Division of Civil Rights will be reaching out to help more residents in 1987. The Division will open offices in Asbury Park and Morristown during the next 12 months. That is in addition to the office opened last year in

Vineland. The Division will launch a campaign to reach New Jersey's minority residents with information on the laws against discrimination. And it will continue to work with employers to prevent discrimination in the workplace.

STATE POLICE

We usually think of the State Police as the highway patrol. But over the years, the State Police have taken on many special assignments like the Division of Gaming Enforcement, the Organized Crime Task Force and protecting the Governor. Less than half the state police force is now assigned to our highways.

Starting in 1984, we began the Patrol Augmentation Program to increase the number of officers on highway patrol. By this July, we will have added 310 State Police officers. They will patrol at night. They will be there to stop the speeder and help the motorist with a leaky radiator.

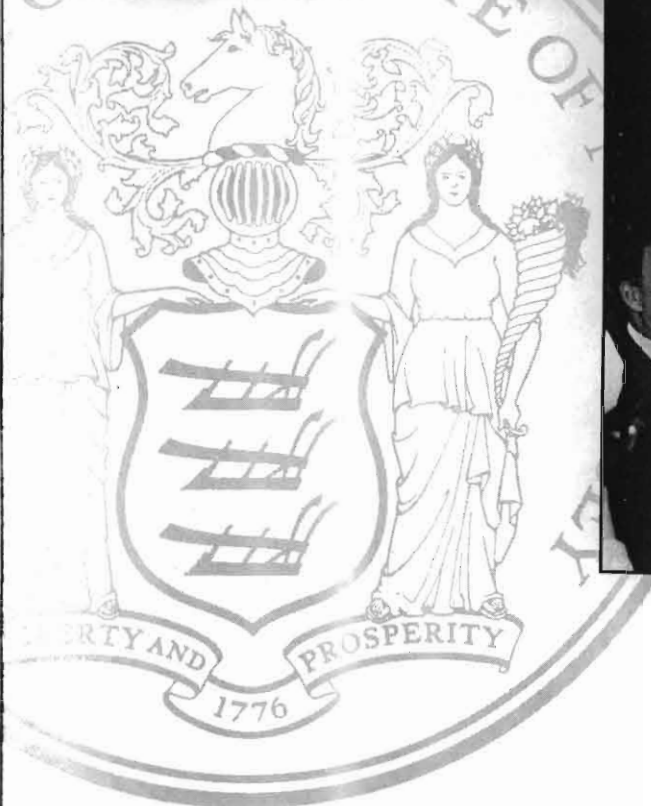
The State Police and the Division of Criminal Justice will also be available to cities who need help with their police forces. In 1986, Camden asked for help after their police chief retired. The

Local Police Services section of Criminal Justice sent their experts to study and reorganize the department.

Retired State Police Major Bob Winters has taken over the Camden police department for a year until the study is complete. I think this is an excellent way for local police departments to benefit from the knowledge the State Police and the Attorney General's office have to fight crime.

By this July, we will have added 310 state police officers.

Thanks to the generosity of the State Police Memorial Association and the corporate community, I hope to break ground on a beautiful State Police museum in West Trenton this year. This museum will be a fitting memorial to the 53 State Police officers who have died protecting New Jersey's citizens. I see the State Police museum taking its place with the State House, state museum and planetarium as a wonderful educational tool for the youngsters of our state.



A fascinating book called "In Search of Excellence" offers portraits of 43 corporations that have made it to the top and intend to stay there.

All the businesses profiled in that bestseller had two things in common: They rewarded their best and brightest workers and they were constantly looking for ways to improve their products.

The sweeping Civil Service reform bill you passed last September—the first in 78 years—will help New Jersey government perform in the same effective way.

Civil Service reform brings New Jersey government out of the 19th century and into the 21st. Think about it. In 1908, women did not have the right to vote and little children were dying in epidemic numbers from smallpox. Luckily, social progress changed all that.

Yet, until a few months ago, New Jersey was still laboring under the antiquated civil service regulations enacted in the first decade of this century, and we were being hurt by it.

Government could not respond as efficiently as possible to the demand of our citizens. We were like a company that tries to produce micro-computers equipped only with screwdrivers.

But all that has changed, thanks in large part to the reform bill's sponsors: Senator Gerald Cardinale, Senator John Lynch, and Assemblyman Doc Villane, along with the tireless work of Gene McCaffrey.

The revolutionary new law will touch 200,000 state, county and municipal workers. It wipes away the giant web of conflicting regulations that has hampered leaders for decades.

The civil service law that was a tangled and confusing 35 chapters is now a straightforward and concise ten. Job classification will be cut in half.

The reform eliminates the Department of Civil Service and creates a Department of Personnel. This will consolidate personnel functions in state government, eliminate duplication of effort among agencies and yield significant savings.

The new department, headed by Gene McCaffrey, will implement major parts of the bill this year. Changes are already under way.

By far the most exciting result of the law is that New Jersey can now use the strategies that have proven so effective in managing highly successful private-sector business. That will mean cheaper and better government.

In the corporate world, a manager's most basic power is to reward excellent employees. Much of civil service reform is based on that kind of incentive for superior performance.

Hundreds of government managers are to be appointed to the senior executive service. They will evaluate their staffs and be held responsible for the overall productivity of their departments.

One effect of the executive service will be to help increase the number of women and minorities in the top levels of state government. For too long, because of the rigid old laws, these workers have been frozen out of top posts. Now, because these employees will be outside of the traditional civil service categories, they may move from one state post to another more easily.

Civil Service reform brings New Jersey government out of the 19th century and into the 21st.

To help interpret and implement the new law, a merit system board has been established, which has the power to regulate promotions and decide disciplinary appeals.



The board will protect a state worker from losing his or her job to political patronage and afford the worker due process.

The new law has other features that make working for government less frustrating and more rewarding. One is a "whistleblower provision," designed to protect workers who report a violation of law in their department. We want to make sure a conscientious worker is not penalized for speaking out.

With these modern rules, New Jersey can stay competitive with the private sector in attracting and keeping the most talented people for state jobs. We can now strive to be as productive as any of the twenty-three Fortune 500 companies in our state.

I believe that one of the most profound changes we have wrought in the past five years is making state government more professional. It will mean better service for decades to come.

To get one step closer to our goal of high efficiency, I propose to change the way state agencies make their regulations. Too often, regulations are so inflexible and confusing that they drown everyone—farmers, small businessmen, volunteers, and others—in a sea of red tape.

In the past five years, there have been nearly 3,000 regulations adopted or amended in the State of New Jersey. A great number of these are unnecessarily complex, vague or redundant.

I suggest that we appoint one per-

son—a Chief of Regulatory Efficiency—to review all new proposed government regulations to ensure they are concise, consistent and unambiguous and do not serve the same purpose as other rules.

The administrative practice officers within each agency would work with this official.

I believe that one of the most profound changes we have wrought in the past five years is making state government more professional.

The Chief of Regulatory Efficiency would see to it that any new rules are flexible enough to permit a balancing of public interests and are written in plain English that we can all understand. If they fail to meet those criteria, the regulations would be returned to the agency to be fixed before adoption.

This Chief of Regulatory Efficiency would act as a regulatory czar to make life much easier for the thousands of New Jerseyans who interact with state government every day.

While reforming civil service and streamlining regulations, we are also taking advantage of the newest technology to work more efficiently.

The Office of Telecommunications and Information Systems (OTIS) is now two years old.

OTIS has made significant progress in temporarily linking the state's five data systems. By next summer, the Departments of Labor, Law and Public Safety, Treasury, Human Services, and Transportation should be permanently wired to the hub and able to communicate with each other, eliminating costly duplication of effort among the agencies.

Yet, even as we reach our technological goals, we must set new ones. I hope to see, within the next two years, electronic mail, document distribution and teleconferencing. And we must proceed to build the Garden State Network, a voice, data and video link allowing phone access to the state's data system from anywhere in the state.

OTIS is also responsible for our telephone system, and, in yet another cost-cutting move, it bought more than half of the state's 47,000 phones. That will save us \$5.5 million over the next five years.

Modern telecommunications and progressive personnel procedures are not the only new additions to the Capitol. We are in the midst of a construction program that will get 47,000 employees out of cramped quarters and into decent working space.

New headquarters for the Departments of Transportation and Environmental Protection have been completed and will open this year. Two more structures, the General Office building and the State Commerce



building, are slated for completion this spring and fall, respectively.

Together, these four buildings represent an investment of more than \$116 million. They symbolize our faith in the resurgent economy of our capital city.

Last year, in the message, I called on you to create a Trenton Redevelopment Commission, to develop the area immediately surrounding the State House and to act as a catalyst for development throughout the city.

That legislation, sponsored by Senator Gerald Stockman, is now before you and I hope you give it quick approval. New Jersey deserves a prosperous capital city.

DOLLARS AND SENSE

New Jerseyans are responsible, decent people. They know all must pay their fair share of taxes. And, certainly, no citizen should be asked to pay more.

During 1986, we signed a historic agreement with the State of New York to jointly administer the sales and use tax across our borders.

Before the agreement, some New Jerseyans would go shopping, for example, on New York's Lower East Side and tell the shopkeeper to ship their purchases home to avoid the sales tax.

Conversely, many New Yorkers would come to the Paramus mall and ask the sales clerk to do the same.

Not anymore. Now, each state is collecting the other's sales tax and use tax on goods shipped interstate.

That measure allows us to collect at least one million dollars a year and to keep other taxes lower to help spur our already strong economic growth.

New Jersey is as fiscally healthy as at any time in our history. The credit for that achievement goes largely to the Treasury Department, which is responsible for turning our pennies into dollars. And I am proud to report that the Department is doing a good job.

The state continues to hold the highest credit rating, Triple-A, from both major rating services. We are one of only eight states to enjoy this vote of confidence.

Superior credit ratings can be traced to smart money management. In 1986, interest plunged to its lowest level in seven years, and New Jersey refunded two previous general obligation bond issues to save nearly \$10 million. Our new rate of 6.19 percent is nearly three percentage points lower than the old rates.

We remain financially strong while being the first state to divest of holdings in South Africa—the only government in the free world that institutionalizes a system of racism.

Since August of 1985, we have sold \$1.5 billion in such securities. We expect to sell off the remaining \$2.8 billion by August 27, 1987. We have made a resolute statement to the world.

We have said New Jersey will not tolerate the morally repugnant policy of apartheid.

I was heartened to see several other states follow our lead in 1986. And, after our divestment, blue-chip companies began leaving South Africa in droves.

New Jersey's rosy economic picture proves we need not trade a social conscience for success. We can be responsive and act on world issues while remaining fiscally strong.

When a government listens to its people and their opinions on everything from town zoning to international human rights, democracy truly prospers.

The state continues to hold the highest credit rating, Triple-A, from both major rating services.

For several years now, I have been urging you to pass several pieces of legislation that would help us better respond to the people of New Jersey. These include:

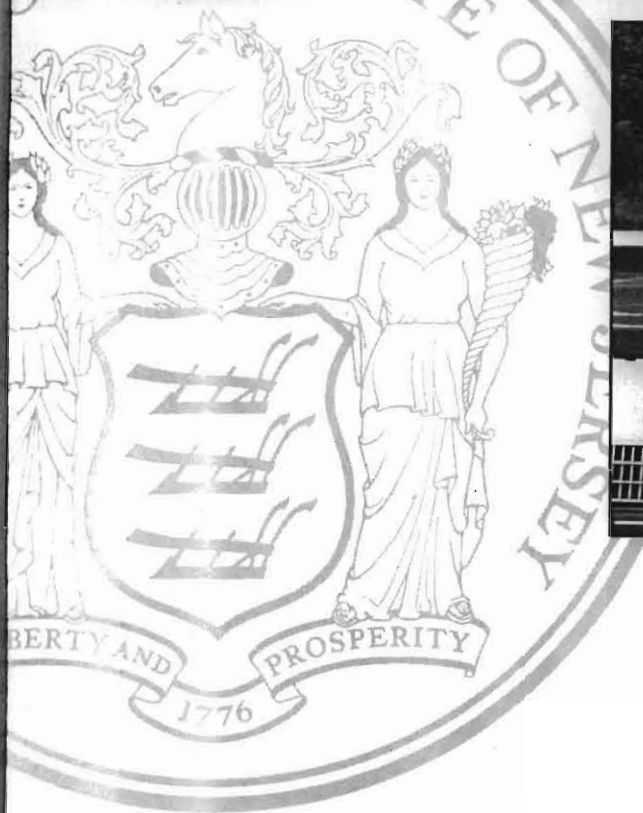
- initiative and referendum to give our citizens the right to vote directly on issues, as suggested by Assemblyman Richard Zimmer;

- legislation allowing the people of New Jersey to elect a lieutenant governor, as suggested by Assembly Majority Leader Chuck Haytaian and Assemblyman Willie Brown;

- reform of our gubernatorial financing laws, as suggested by Assemblyman Zimmer;

- and, finally, approval of a commission to consider a fair plan of Congressional redistricting, as suggested by Assemblyman Robert Franks.

Last year I called for abolition of the Department of Energy because I believe government should go out of business when a job is done. I urge the Senate to pass legislation quickly ending the last vestiges of Energy.



Throughout this message I have had good news to relay. Our economy is strong and continues to grow. Our schools are better today than they were yesterday. Our air and water are becoming cleaner.

But I come to a part of this message that reminds me of a line by Sir Thomas Browne: "Affliction smarts most in the most happy state." As I survey our insurance problems, particularly our auto insurance problems, I smart from the knowledge that we have much to do to remove the affliction of high rates from our people and our economy.

We made important progress last year in reducing this burden. I am pleased by our successes, but I am disappointed by what we have not done. Insurance reform is one of the most important tasks we must accomplish this year.

The most important thing that happened last year was something that did not happen. We did not have a general rate increase for auto insurance last year—the third year in a row rates stayed the same.

And we made major strides toward resolving the deficit problems of the New Jersey Automobile Full Insurance Underwriting Association (JUA). The legislation sponsored by Assemblyman Ralph Loveys and Senator Raymond Lesniak will significantly stabilize the JUA. Now the insurance industry must live up to its end of the bargain, and begin writing policies voluntarily on the open market. And we must see a workable plan to reduce the number of drivers who must be covered by the JUA.

Together we enacted a bill reducing the liability of the contractors hired by the Department of Environmental Protection to clean up our toxic waste sites. This bill, sponsored by Assemblyman Jack Rafferty and Senator Lesniak, was an important compromise. We protected the rights of our citizens to sue if contractors have been negligent, but we removed from them the burden of paying for injuries for which they were not responsible.

This legislation removed what might have been a major impediment to our cleanup program. I would like to see a similar bill, sponsored by As-

semblyman John Kelly, pass this year extending these protections to the contractors hired by the Department of Transportation to clean up toxic waste.

We enacted the "Little League" bill, sponsored by Assemblymen Jose Arango and Ronald Dario, freeing volunteer coaches from the fear that they

We did not have a general rate increase for auto insurance last year—the third year in a row rates stayed the same.

would be sued for executing their routine responsibilities. Now all they have to worry about is who wins and loses the game.

We also began to realize the goals of the excess profits law passed in 1983. This past year we found one insurance group, the Royal, whose profits met the statute's definition of excess profits. The company is now refunding an average of \$151 to each of its policy holders.

The insurance companies will be required to file profits reports again this July, and I expect more companies will be refunding money to their customers.

Two years ago, I was forced to issue an emergency executive order to stem the wave of insurance cancellations that were playing havoc with New Jersey. Municipalities, day care centers, taverns, restaurants and dozens of other businesses were losing their coverage, often for no apparent reason. Many of those who were able to get insurance faced exorbitant premiums.

We acted quickly and decisively then, and we continued to move to control the insurance market. We adopted permanent regulations requiring insurers to follow established criteria before refusing to renew a policy. At the same time, we established a Market Assistance Plan, under which insurers have cooperated in providing policies for day care centers, local governments and taverns unable to find coverage.

I was also extremely pleased to see the New Jersey Supreme Court uphold the legality of the regulations we adopted to control the cancellations and non-renewals of insurance policies. This was a victory for the people of this state. We now have the toughest rules of this kind in the nation.

These changes moved us closer to our goals: to make insurance more available and affordable. Nevertheless,

much more must be done.

A moment ago I called insurance reform one of the most important tasks we face this year. Perhaps the most important part of this task is reducing the still-too-high auto insurance rates we pay.

There is only one way to ensure lower auto insurance rates in the coming year. We must pass the verbal threshold.

I have seen other proposals. Pass them if you will. But we must have the threshold contained in Assembly Bill 1. Only then will auto insurance rates be reduced significantly.

Let me explain why we must have this change.

There is only one way to ensure lower auto insurance rates in the coming year. We must pass the verbal threshold.

Our tort law is based on the theory that if someone is injured, he may sue the person who injured him for compensation for his injuries.

What works perfectly in the anti-septic conditions of the law school classroom does not always work as well

in the real world.

Before we established the no-fault system in 1973, injured parties found themselves mired endlessly in suits, unable to collect quickly from the people who injured them while being badgered by doctors, hospitals and collection agencies for bills incurred in treating the injuries. Compensation was slow in coming, if at all, and the most seriously injured often were denied timely therapy.

No-fault changed all this. Now if someone is injured, the bills are paid right away. We have kept the wolf from the door, allowing people to recover with peace of mind.

But the 1973 legislation was incomplete. It should have contained a verbal threshold.

Without this provision, we have a no-fault system that allows someone to win twice. The medical expenses are paid. But it is too easy to sue again for pain and suffering, even for minor injuries. The lawyers win, and all the rest of us pay the high cost of the system with increased insurance premiums. Unless we reduce the flood of small and frivolous claims we will continue to have unacceptably high auto insurance rates.

I am not suggesting that we do away



with no-fault. I am suggesting that we reform it.

It is essential that we keep a system that provides for prompt and adequate compensation. While the verbal threshold is the essential, there are other things we can do to help lower automobile insurance costs. One of these is to enact a medical fee schedule. This will keep unreasonably high doctor bills under control.

There are other areas where we have unacceptably high insurance costs. We must also limit the potential liability our local, county and state governments face. By law, custom and the rightful expectation of our citizens, governments are required to perform hundreds of complex functions.

We design and build bridges and highways. We help train future generations of doctors. We educate our children and police our city streets. It is inevitable that accidents happen and injuries occur.

People should be compensated, but the current system is much too costly. Laurel Springs saw its insurance bill last year go from \$879 to \$8,470—nearly 1,000 percent. Eaglewood Township saw its premiums increase 365 percent, and in Westfield, residents are paying 310 percent more for 80 percent less coverage.

Insurance costs are reflected in your property tax bills, so limiting liability will not only lower insurance costs, they will lower your property tax bill as well.

There are other problems we must address. One of the traditional theories of law holds that when you have more than one defendant, all are liable, regardless of the degree of their responsibility, for the injuries suffered. The doctrine, called joint and several liability,



frequently forces our governments to pay huge settlements even though their responsibility for an injury is minimal. The most unfair application occurs when a truly negligent party escapes paying fair damages and the state or a municipality, in other words, the taxpayer, pays the damages.

Insurance costs are reflected in your property tax bills, so limiting liability will not only lower insurance costs, they will lower your property tax bill as well.

Senator Bill Gormley's bill, which passed the Senate last year, would amend the Tort Claims Act and limit the damages a government would have to pay to the actual degree of their responsibility. If a government were 10 percent negligent, it would pay 10 percent of the damages. If it were 60 percent negligent, it would pay 60 percent of the damages, and so on.

I strongly urge the Assembly to pass *this* bill this year. This will help contain increases in property taxes.

Several other reforms must also be enacted to bring critical relief to our

state and local governments. We should limit the amount of money a plaintiff may recover against a public body. A reasonable limit on the pain and suffering, "non-economic" awards would assure people would recover fair damages while allowing governments to conduct business without the spectre of bankruptcy brought on by a lawsuit. Again, the result would be lower insurance premiums and lower property taxes.

In a similar vein, we must expand the protections we accord our governments to our independent state authorities and commissions. We must make sure that the men and women who serve on these bodies have the benefit of protection from lawsuits that we accord our other public servants through our Tort Claims fund.

I hope you pass Senator Joseph Bubba's bill to do this.

A reasonable limit on the pain and suffering, "non-economic" awards would assure people would recover fair damages while allowing governments to conduct business without the spectre of bankruptcy brought on by a lawsuit.

The problems besetting governments are the same as those afflicting private citizens. If you are a businessman, you know that your coverage, if you can get it, has become extremely expensive. This is reflected in the costs of every product we buy.

We must make changes here, too, some of which are similar to the changes I have proposed for public organizations. We should alter the joint and several liability laws for private citizens, too. This liability should be sharply reduced for those sharing little of the blame for the injury.

And I am also recommending, once again, that you enact a realistic limit, a cap on the amount of money which can be awarded for unmeasurable pain and suffering claims.

A third important bill would reduce settlements by taking into account the other compensation, known as collateral sources, that plaintiffs get. When someone wins a suit, he not only wins his settlement, but he also usually has gotten insurance payments from his own company.

The result is double-dipping and a final sum that is greater than it should be. I would like you to change the law so these collateral sources are applied to final settlements.

We must also limit the liability of the directors and officers of public corporations and non-profit organizations. We must extend the "Little League" protections to members of all volunteer organizations. Too many law suits are scaring off people from these groups. To accomplish this task, I would like to see passage of the legislation sponsored by Senators Jack Ewing and Richard Van Wagner.

Our professionals continue to have a difficult time affording malpractice insurance, especially the doctors. I urge you to adopt the recommendations our blue-ribbon panel recommended last year to reduce the statute of limitations



in medical malpractice suits.

We must also study our products liability law. Until now, it has been case law, developed by our Supreme Court, a national leader in this area. I ask you to pass a bill sponsored by Senator Lesniak, which codifies and clarifies our common law. This will give the measure of predictability our manufacturers need and that the law should provide.

Of course, we also need some assurance that the problems of availability and affordability we have had in recent years will become a thing of the past.

Insurance rates have been too volatile; we must have some stability. I propose that we adopt legislation similar to a measure recently adopted in New York. This bill would set minimum and maximum amounts that insurance rates could increase or decrease in a given period.

Rates are affected by a number of factors, but one is industry-controlled. When the rates of return on investments are high, insurance companies drop their rates to attract business and accumulate cash. This is then invested

at the high rates.

Frequently, though, these premium rates are so low that they do not adequately cover the risks. The insurance companies depend on the investment income to provide this cushion and their profits.

When the investment return slackens, the company then rapidly increases rates, disrupting the market.

Insurance rates have been too volatile; we must have some stability.

A "flex" system will go a long way toward producing greater stability. By limiting the amount a premium can increase or decrease without permission from the insurance commissioner, we will gain the stability everyone seeks.

I also believe that we must make sure the Insurance Department regulates the industry from a position of strength, not weakness. We must make sure the department is on equal footing with the companies.

To ensure this, I urge the Senate to pass Assemblyman Jack Rafferty's bill, A-2404, in its original form.

The original bill requires companies to provide important financial data on the rate setting. But it also gives the commissioner a major tool to police these rate-setting decisions—and the decisions to continue to write policies in our State.

Some companies want to shed insurance lines when the profits ebb below a certain margin. We need to say to these companies that before you quit New Jersey in one line, you must be able to show us you are doing so for good reason. And if you are not, our insurance commissioner must have the power to demand the company's licenses for all its lines. Changes made in the Senate weaken this bill. The original is better. The original bill will protect the people of the state.

This is not a light agenda. But it is an important agenda. We cannot allow our insurance woes to cripple our economic development. We have had a series of accomplishments this past year. I would like to see us top that performance this year.



BANKING

We also had a strong record of accomplishments in banking last year. Last March, I signed the Interstate Banking and Bank Oversight and Change of Control acts, bringing New Jersey's banking system to the leading edge of modern finance.

With this new law, New Jersey banks were allowed to grow across state lines and out-of-state banks were allowed to expand into New Jersey. For now, our borders are open only to those from the states—Kentucky, Ohio and Pennsylvania—who have joined with us to form a regional banking compact. But it will probably be a short time—two years or less—before the second phase of this development, nationwide banking, becomes a reality.

We believe interstate banking should herald increased services and convenience for New Jerseyans. No longer will a New Jerseyan who works in Philadelphia or New York have to carry two checkbooks to work.

And interstate banking will mean banks can attract greater investment capital, which in turn means a greater ability to lend to customers. New Jerseyans and their banks should profit from these changes.

Last March, I signed the Interstate Banking and Bank Oversight and Change of Control acts, bringing New Jersey's banking system to the leading edge of modern finance.

The banking department adopted new "leeway" regulations last year which were intended to help our banks grow. These new rules also expand the investment opportunities open to our banks. Under the new rules, banks may invest directly in equity securities, real estate joint ventures, securities and insurance brokerage services, and certain other specified activities.



These changes should further help New Jersey's banking industry grow even healthier. Sustained profitability, assets and net worth have all increased. We continue to attract new bank charters. The wave of new bank charters that began in 1984, after a seven-year hiatus, continues. The banking department is now reviewing charters for four new commercial banks and one new savings bank.

With the new freedom we have permitted the banks, comes new responsibilities to our citizens. For the most part, the banks have responded well. There are some areas, though, where I am disappointed.

The low mortgage rates of 1986 prompted a frenzied rush of first-time homebuyers and homeowners seeking to refinance their homes to apply for new mortgages. The mortgage lenders, in many cases, did not handle this well. Seemingly unending delays in processing applications, unexplained charges and additional fees, and a breakdown in communications outraged and frustrated customers.

An investigation launched by the banking department indicated that

changes should be made in our mortgage lending regulations. The department is developing these new regulations now, and I am eager to see that these problems do not recur.

Home buyers were not the only customers to complain bitterly last year. Anyone who has ever had a check bounce because the bank was holding up his check has been the picture of rage and frustration. A summer survey conducted by the department found that the banks have done little to ameliorate the problem. If the banks do not act soon, it may be necessary for the Legislature and the department to act on this matter.

The Legislature and the department might also have to act if the banks do not reduce the inexcusably high interest rates charged for credit cards. Although some have reduced their rates, most have not. At a time when the prime rate is in single digits and inflation remains low, it is baffling that credit cards are carrying interest rates that are so high.

I am also worried that every New Jerseyan who wants to open a bank account may not be able to. I expect the

department to continue to work toward ensuring that New Jerseyans will not be barred from minimal banking services.

Last year was clearly a year of change, if not revolutionary change, in banking. It mirrored the turbulence that boiled through the entire financial world.

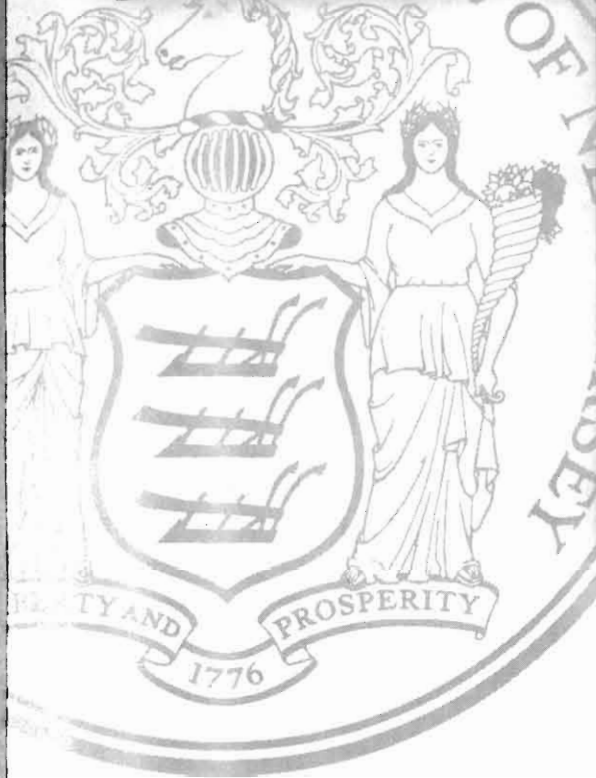
At the heart of all these changes was one supreme goal: to give New Jersey—and New Jerseyans—the financial services and protections needed.

At a time when the prime rate is in single digits and inflation remains low, it is baffling that credit cards are carrying interest rates that are so high.

Henry Kaiser once said that "Problems are only opportunities in work clothes." So it is with our problems. If we roll up our sleeves and break an honest sweat we can turn these challenges into great successes as we have in the past with other challenges.

I know we will seize these opportunities and turn the old rags of Kaiser into the glad rags of success.





The past five years have seen a transformation in the relationship between Washington and New Jersey.

Because of the combined impact of President Reagan's "New Federalism" and the huge federal deficit, Washington has withdrawn from a number of domestic policy areas. As a result, state government has become much more active and imaginative.

New Jersey has led the way in this assertion of state power. Throughout this message, you have read of our innovative programs. We will continue to promote innovative programs to clean the environment, promote international trade and provide health care and child-rearing assistance to single women.

But despite our new responsibility, we would be naive to think that actions in Washington no longer affect us. Now, more than ever, we must work closely with our able Congressional delegation to make sure that federal policy benefits our state.

In 1986, our Congressional delegation continued to exercise substantial in-

fluence over the Washington legislative process.

Under the leadership of our senior Senator, Bill Bradley, Congress agreed to historic reform of our income tax system. I believe that by dramatically reducing tax shelters and lowering rates for individuals, tax reform will increase economic growth and allow us to compete much better with foreign competitors. Tax reform will mean \$2.3

In 1986, our Congressional delegation continued to exercise substantial influence over the Washington legislative process.

billion in savings for New Jersey taxpayers alone.

We were fortunate that Congress retained the deduction for state and local income and property taxes, and protected the tax-exempt status of bonds which the state uses to build important infrastructure projects, such as resource recovery facilities.

New Jersey's entire Congressional

delegation played a key role in obtaining the reauthorization of the federal hazardous waste cleanup program, Superfund, for another five years.

After much wrangling, Congress and the President finally agreed upon a \$9 billion program that is a dramatic improvement over the old law. We expect to receive as much as \$500 million to help clean up the 97 sites that are currently on the Superfund National Priority list. It should be noted that our state right-to-know law served as a model for a new title of the federal legislation.

Our delegation was also influential in securing passage of the Water Resources Act, the first federal water projects construction program authorized in ten years. The \$16-billion bill was passed as one of the last acts of the 99th Congress and earmarks \$1.2 billion for New Jersey.

The bill provides for protection and reconstruction of beaches from Sea Bright to Cape May; flood damage prevention work; and improvements to channels leading to and over port complexes.

The environment was not our only area of accomplishment. We retained federal aid for several critical programs, including close to \$200 million for mass transit assistance, \$100 million for Community Development Block Grants and \$122 million in grants to disadvantaged elementary and secondary school students, an \$11 million increase over last year.

What's more, Congress passed major legislation to combat drug abuse. We should receive up to \$10 million to strengthen law enforcement and improvement of rehabilitation and treatment of drug abusers.

When it comes to New Jersey, our Congressional delegation puts aside all partisan considerations. That kind of cooperation will be needed in 1987, as we face a full agenda on the banks of the Potomac.

Tax reform will mean \$2.3 billion in savings for New Jersey taxpayers alone.

Congress' first priority must be to reduce the gaping federal budget deficit. My hope, as it has been in the past, is that Congress will cut the deficit in a rational and sensible manner, making sure to protect those programs that promote economic growth and opportunity.

Action on the deficit will bring down interest rates further and allow our products to compete on more equal footing with aggressive foreign competitors. I hope that our present trade woes do not force Congress into adopting protectionist legislation, which would harm the long-term health of this country.

Our number one environmental priority is passage of the Clean Water Act, which the President vetoed at the end



of last session. I hope that Congress will return the water bill to the President's desk immediately. We in New Jersey believe that this bill is essential to the health of our nation's water supplies.

We will be working to reform the state's welfare system. The federal government has selected New Jersey to be one of two states to participate in a federal Welfare Demonstration Project. We are privileged to be a part of that and hope our successes will eventually be copied by many other states. I anticipate welfare reform debate in Congress this year and I welcome the opportunity to participate in that debate.

We also desperately need immediate reauthorization of the federal highway and mass transit bill.

For the past few months, the Department of Transportation has restricted its construction activity to interstate and bridge rehabilitation projects for which some funding from the old federal highway bill is available.

With the new year, however, the Department has lost its ability to carry out a major portion of the federal aid construction program. If the necessary legislation is not enacted until April, more than \$45 million worth of construction projects will be affected. If the legislative delay continues into June, it could cost \$113 million in halted construction.

Among the many projects which would be slowed are construction of I-287 in Bergen County, improvements to the Palisades Interstate Parkway, the extension of Route 55 in Gloucester County and the replacement of the Harrison Street Bridge in Princeton.

Clearly, we need a new highway and mass transit bill now. Congressman James Howard and Senator Frank Lautenberg both lead committees or subcommittees with direct influence over transportation funding. I call on

them to use their influence to bring a transportation bill to the President's desk by the end of next month. Any delay in Washington means more delays on the roads for frustrated motorists.

In the coming year, I will continue to play a major role in several national organizations, to learn more about what other states are doing and to share our successes with policy makers from Maine to California.

In December, I took over as Chairman of the Republican Governors Association and hosted my colleagues at the Parsippany Hilton. Chief executives from around the country participated in panel discussions on welfare, education reform and drug policy. All of the governors were impressed by

*Members of our
Congressional delegation
will have their work cut out
for them in 1987.*

the diversity of our state.

I continue to be very active in the National Governors' Association. I serve as chairman of the subcommittees on the environment and education and am a member of task force groups studying welfare reform, job growth and competitiveness, and liability insurance.

As you know, improving our schools has been my top priority the past few years. As a result of our efforts, New Jersey is fast becoming known as the "education state." Governors and policy makers want to learn about our school reforms to bring them back to their homes.

Last year, as chairman of the Education Commission of the States, I held a series of national "Talks with Teachers," in which we solicited input

from the best teachers about the way to improve their profession. The initial meeting was held at Kean College. This was the very first time that teachers actively participated in education reform discussions.

I worked to advance the reform movement beyond elementary and high school by focusing on the quality of undergraduate education provided on our college campuses. I was pleased to learn that our unique challenge grant program is now considered a paradigm of successful state policy to improve higher education.

And I was honored to serve as a member of the Carnegie Foundation's Task Force on Teaching as a Profession.

Last year, the Carnegie Foundation stimulated a national debate by releasing a highly publicized report calling for, among other things, the establishment of a National Board for Professional Teaching Standards. I look forward in the next two years to working with this prestigious organization in implementing these recommendations on a national level.

All of these issues, from the budget to education to tax reform, have a strong impact on the state of New Jersey. With the help of New Jersey's Washington office, we have been working with Congress to protect our state's interests in these matters. I welcome Alice Tetelman, who last year took over as director of that office.

Members of our Congressional delegation will have their work cut out for them in 1987. They face difficult decisions about reducing the budget deficit, making our economy more productive and helping to clean our environment and to educate our children.

With the kind of bipartisan cooperation that we have had in the past, I am sure 1987 will be just as successful as 1986.



I have laid before you an Opportunity Agenda that can guarantee that the prosperity we enjoy today will be around tomorrow.

It is not an uncontroversial or easy agenda. Parts of it will require sacrifice, and yes, parts may require that we risk the Hope Diamond of our profession: political capital.

Why should we act? Why should a state apparently blessed with an endless season of prosperity summon the courage to make individual sacrifices for the common good?

Two reasons, really.

First, selfless action today will, over the long-run, be in our own interest. If, for example, we can rebuild our cities, then our suburbs will have room to grow comfortably.

If we protect the ocean, then growth along the shore can continue and tourism can lengthen its tenure as the state's second industry.

If we break the chains of dependency for young welfare recipients, then we will free taxpayers from supporting a new generation of poor.

But if we succumb to complacency's temptation, then our children will pay the bill.

Something more noble than mere self-interest must also compel us to act. We must solve these problems because, quite simply, it is the right thing to do.

I have lived in New Jersey almost all of my life. My family is inextricably intertwined with the history of this state. Since my political career began 30 years ago, I have been struck over



and over by New Jerseyans' willingness to put aside selfish interests to work to better the lives of their neighbors.

I have seen New Jerseyans from all walks of life—cities and suburbs, black and white, Republicans and Democrats—extend the ladder of opportunity to those below them.

I have seen it happen between neighbors on a block who know each other. And I have seen it happen, just as often, between complete strangers.

That good-hearted, magnanimous spirit is alive in every New Jerseyan today. It explains our success better than the cold numbers on an accoun-

tant's ranking of business climate or the theoretical analysis in quality of life indicators.

The spirit is alive in Dr. C. Kumar Patel of Summit, whose research at Bell Labs has resulted in technology that can help prevent people from going blind.

The spirit is alive in Mary Smith, who runs a child-care network, Babyland, for low-income people in Newark.

And the spirit is also alive in Doug Heir, an All-American athlete from Cherry Hill confined to a wheelchair who spends his free time convincing

other handicapped New Jerseyans that they too can succeed in life.

I believe in New Jerseyans. If 30 years in public service has convinced me of anything, it is that we are not a complacent people. We have experienced adversity and we have conquered it. We have been on the bottom and we have climbed to the top. We will not be seduced by success.

In 1987 and the rest of my term I ask you to work with me on this Opportunity Agenda. Together we can make our state's future, like its recent past, a prosperous tale of promises made, and promises kept.





Back row left to right

Brenda Davis, Chief, Policy and Planning • Leonard S. Coleman, Commissioner, Community Affairs • Richard T. Dewling, Commissioner, Environmental Protection • Kenneth D. Merin, Commissioner, Insurance • Eugene J. McCaffrey, Commissioner, Personnel • Borden R. Putnam, Commissioner, Commerce and Economic Development • Saul Cooperman, Commissioner, Education • William H. Fauver, Commissioner, Corrections

Middle row left to right

T. Edward Hollander, Chancellor, Higher Education • Mary Little Parell, Commissioner, Banking • Arthur Brown, Secretary, Agriculture • W. Cary Edwards, Attorney General • Edward McGlynn, Chief of Staff • Thomas H. Kean, Governor • Michael Cole, Chief Counsel • Feather O'Connor, Treasurer • Molly J. Coye, Commissioner, Health • Charles Serraino, Commissioner, Labor • Major General Francis R. Gerard, Chief of Staff, Defense • Howard Shapiro, Acting Director, Washington Office

Front row left to right

Barbara Curran, President, Public Utilities • Alfred Slocum, Public Advocate • Drew E. Altman, Commissioner, Human Services • Jane Burgio, Secretary of State.
Missing from picture are: Hazel Frank Gluck, Commissioner, Transportation • Alice Tetelman, Director, Washington Office.

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