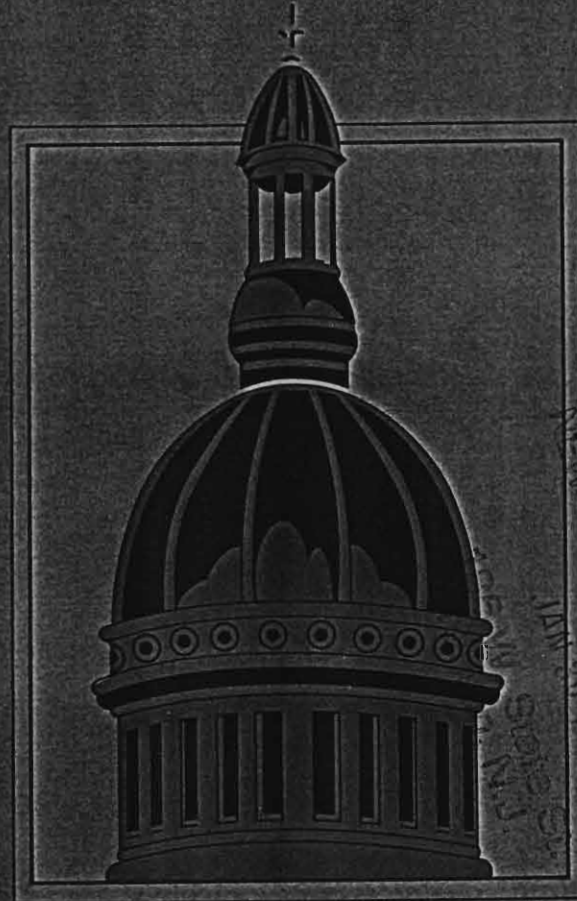




January 14, 1980

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ANNUAL MESSAGE
TO THE NEW JERSEY STATE
LEGISLATURE

THOMAS H. KEAN, GOVERNOR

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INTRODUCTION

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To the Members of the Legislature: I am proud to report to you today that New Jersey is strong and healthy. Our future looks bright.

Pride in New Jersey is everywhere. As I traveled across this state last year, I saw New Jersey pride in hundreds of places.

"I saw New Jersey pride in many places and in many faces, but always the ingredients were the same."

I saw New Jersey pride on the streets of Newark, as a group of citizens worked to rebuild a neighborhood. I saw it in the solitude of a research laboratory at UMDNJ, where our scientists search for a cure for cancer. I saw New Jersey pride last month, right here in Trenton, in the smiles of Hispanic children who decorated our Christmas tree. When a fire ripped through the city of Passaic, I saw New Jersey pride in the neighbors who turned out to help people through the tragedy.

I saw New Jersey pride in many places and in many faces, but always the ingredients were the same: a knowledge that this is a state on the move, and a willingness of individuals to give something of themselves to keep that movement going.

1986 is a good time to be a New Jerseyan. And you have much to do with it. As a team we worked on problems that could cripple our progress if left unattended.

We worked to bring more jobs to our state. We cut taxes. We paid back our unemployment insurance debt to the

federal government. We invested in high technology research laboratories and rebuilt many of our roads and highways. We lent a helping hand to the entrepreneurs that make our economy go. The result: our economy set records for employment and our business climate moved to first in the Northeast.

I said 1985 would be the Year of the Environment. It was. We intensified our efforts toward a clean New Jersey. We put in place the Environmental Trust Program to help our towns build waste treatment and recycling plants. Our toxic waste cleanup program continued to be a model for the rest of the nation.

We improved our schools. Two years ago I offered a blueprint for education reform. Now we are building on it. We gave New Jersey teachers the highest starting salaries in the country. We raised standards and began to reward and recognize our classroom leaders.

We made lives better for our elderly and our children. We began the first statewide child abuse prevention program in America. We enacted the Medically Needy Program to provide better health care for the ill and indigent.

1985 was a year of substantial achievement.

To you, I say thank you. To the people of New Jersey, I say thank you. Thank you for making New Jersey a leader.

It hasn't always been this way. Not too long ago, New Jersey was a troubled state. But for four years now, we have worked to find solutions to every single crisis that imperiled our future.

I am proud of all that we have done.

Today I ask you to take New Jersey a step further.

As I stand before you, as I begin my second term as Governor of this great state, I ask all New Jerseyans to look beyond the bright tomorrow. I ask you to look down the road fourteen years. I ask all New Jerseyans to think about our lives in the year 2000.

Today, and for the next four years, I ask all New Jerseyans to work toward New Jersey 2000. To advance our efforts, I will create a special commission — the New Jersey 2000 Commission — to study and identify the trends, problems and issues that we must be able to deal with at the turn of the century.

I ask you to join me in giving the people of this state the kind of government they truly deserve. A government that anticipates crises. A government that invests now in those things that will be important to our children and grandchildren. A government that not only gets the old questions right, but the new ones as well.

We must get to work in 1986 so that New Jersey 2000 will be the most prosperous, compassionate and dynamic state in the union.

In most states, that would be hyperbole. In most states, words like those would be laughed off as unrealistic, as a dream.

But not in New Jersey. New Jersey is a special place.

In 1986, New Jersey is one of the best. The potential to be the absolute best is within our grasp. We must seize it.

In the coming year, I ask you to continue to work with me to create new jobs, to improve our schools and to clean our environment.

"I ask all New Jerseyans to think about our lives in the year 2000."

I will ask for your support for a health care initiative that will allow us to better care for our young and our aged, the two most vulnerable groups in our society.

I will ask you to give our colleges and universities the freedom and incentives they need to meet the demands of our changing economy.

I will ask you to free our state employees from the shackles of an antiquated civil service system.

And I will ask you to support a series of changes in our election laws.

These programs are a start. I will have more. Each and every one will be an investment in New Jersey 2000.

Two months ago, in November, I received the greatest honor of my life when the people of this state re-elected me to hold the Office of Governor.

At the time, I made a promise. I decided that there were important issues facing this state whose resolution would determine our life for years ahead. I promised that I would work to solve those long-term issues today, so that my successors, and our children, did not have to face them.

Today, I ask you to join me in this task.

I ask you to set New Jersey on a smooth and prosperous path until the end of the century.

I ask you to work with me for New Jersey 2000.


Governor Thomas H. Kean

JOBS AND THE ECONOMY



Two years ago, I stood before you and said that New Jersey's economy was at a turning point. After a decade in the doldrums, after suffering through the worst recession since the Great Depression, there were signs that New Jersey was on the road to recovery. After years of lagging behind the nation, there were indications that New Jersey was about to emerge as an economic leader.

Today, I can say unequivocally that those first signs were accurate. The positive news of two years ago was not a mere blip on the screen; not a short-lived upturn before we fell back.

New Jersey has embarked on the strongest period of economic growth in four decades. Our economic growth has been robust, it has been broad, and it has been consistent. It has extended from Cape May County to Hudson County. It has benefitted everyone.

During a period of strong growth nationwide, New Jersey's economy has outperformed most other states. New

Jersey, a state which has traditionally lagged behind other states, has now forged ahead.

Our economic performance has been the envy of the rest of the nation.

The statistics paint a bright and optimistic portrait, a portrait of a state that has reached a higher plateau than ever before. By every available indicator, New Jersey's economy is on a roll.

There is no reason that we cannot continue rolling into the next century.

More New Jerseyans are employed today than ever before; our employment stands at a record 3.5 million. During the first nine months of 1985, 54,000 new jobs were created. More jobs were created in New Jersey in the last nine months than were created in all of the countries of Western Europe in the past decade.

Unemployment continues to be one to two points below the national average. In August of 1985, that rate

dropped to 4.4 percent, the lowest it has been in fifteen years.

Particularly gratifying to me is that our strong economic tide is reaching those who have often not been touched by good economic times in the past. According to figures compiled by our Department of Commerce, white male employment increased by 7.1 percent between 1982 and 1985. During the same period, employment of women increased by 11 percent, and employment of minority New Jerseyans increased by 19 percent.

These numbers are important. They indicate that all New Jerseyans are beginning to reap the benefits of a strong economy. We must do everything we can to see that all our citizens — regardless of race or gender share in the opportunity that is the inevitable outgrowth of a strong economy.

Our strong performance not only touched more New Jerseyans than ever before, it stretched across all sectors of



our economy. The construction industry led the way, with an 18 percent increase in jobs. Wholesale and retail trades, the state's largest employer, added the most jobs, 47,000, to the workforce. The service sector, the state's second largest employer, continued its strong showing, growing by 5.7 percent. Even manufacturing, which has suffered from foreign competition, increased employment for the second year in a row. The publishing and furniture industries led a 6,200 job gain in that all-important sector of the economy.

Per capita personal income grew by 9.9 percent in 1985, compared to an increase of 9.4 percent nationwide. New Jersey stands ahead of every state except Alaska and Connecticut in the income earned by our workers. Our average of \$15,440 is 121 percent of the national average. New Jersey workers earn an impressive 24 percent more than our neighbors across the border in Pennsylvania.

The state bird of New Jersey these days is the crane; the construction crane, that is. The Route 1 Corridor, Monmouth County, and Ocean County all enjoyed tremendous growth in the past year, as new businesses continued to pour into the state. In Northern New Jersey, construction of office space continues at three times the rate of that found across the Hudson in Manhattan.

"The state bird of New Jersey these days is the crane; the construction crane, that is."

The construction explosion is not about to slow. According to a recent report by Alliance For Action, a business/labor coalition, private and public sources will spend \$15.5 billion on new construction in just the next two years alone.

1985 was a great year for New Jersey business. New incorporations were 10 percent ahead of the boom year

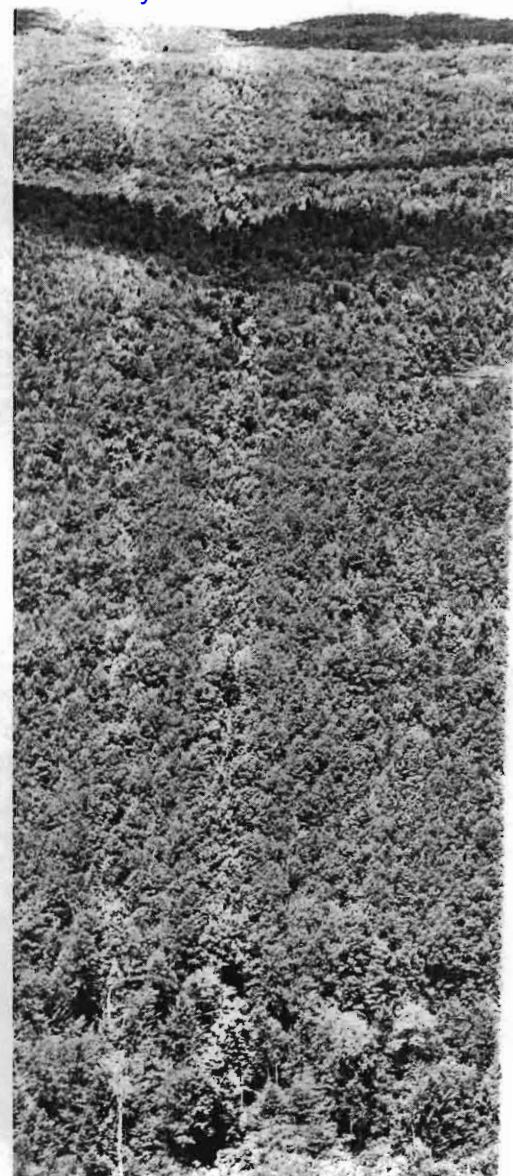
of 1984, while the number of business failures declined by 7.6 percent. There was a 28 percent increase in commercial investment.

Retail sales were up 7.5 percent, again exceeding the national average. Most impressively, cars were sold at twice the rate in New Jersey as in the rest of the country.

The dramatic gains in personal income allowed more New Jerseyans to fulfill their dream of owning their own home. We experienced a 30 percent jump in housing starts last year, compared to a 6.5 percent decrease nationwide.

This broad array of positive economic statistics helps to explain one simple fact: more and more people see New Jersey as a great place to find a job, start a business, buy a home, or raise a family.

In the economic dog days of the 1970's, 119,000 New Jerseyans left the state for brighter pastures elsewhere. In



the first four years of the 1980's, as our economy has moved from the back of the class to the front of the class, that massive emigration has slowed and reversed itself. Since this decade began, a net of 23,000 people have moved into our state.

By every indicator, New Jersey is growing and healthy. And the future is bright.

In November, the Economic Policy Council predicted that "the boom in residential, commercial, and industrial construction in the state is likely to sustain the relatively buoyant economic activities" (of the past). A recent survey conducted by the New Jersey Business and Industry Association found that 90 percent of our state's business leaders expect 1986 to be an even better year than 1985.

The expansion of the service sector, combined with our emergence as a leader in high technology should give us the kind of broad economic base that can

cushion the impact from the inevitable downturn in the national economy. We certainly have not repealed the business cycle, but we have taken out an insurance policy to protect against the dislocation that has accompanied past recessions.

What has happened is remarkable. It contradicts the opinion of all the experts who, just four short years ago, believed that New Jersey was a "rustbelt state," with a declining manufacturing base, persistently high unemployment, and a bleak future.

We have proved the experts wrong. We have attracted new industries, new businesses, and new jobs. We have broadened our economic base. We have attracted the two major growth industries, services and high technology. Today, we stand as an example to other states of prosperity and potential in the 1980's. As the *New York Times* put it, New Jersey is "a paradigm of the post-industrial economy."

The outlook is bright, but we cannot afford to be complacent. State government must continue to work to create the climate that allows economic growth to continue.

All the ingredients are in place for this state to continue to lead the new economy: a central location; a sturdy infrastructure; and, most importantly, a talented, dedicated workforce. It should be our goal, nothing less, to make New Jersey first in all economic categories. To forge the strongest and most diverse economy, with the highest standard of living, among all the fifty states. When the sun rises on the year 2000 in America, New Jersey should stand as a symbol of successful, long-term growth in the postindustrial era.

This is a lofty goal. But achievement of this goal will make all our other goals possible. A robust economy will provide us with the money to improve our schools, to clean our air and water, and to rebuild our cities. Without a strong



economy, all those goals will fall by the wayside.

"New Jersey should stand as a symbol of successful, long-term growth in the postindustrial era."

What will it take to put New Jersey first? Two things. First, a state government that nurtures a climate that rewards the man or woman with a little money, a good idea, and the determination to make that idea happen. A state government that agrees with Winston Churchill's belief that private enterprise is the sturdy horse that pulls the wagon. A state government that understands that private enterprise offers the best hope for the long-term prosperity of all New Jerseyans; black and white, city dweller and suburbanite, everyone.

Consistent with that philosophy is a state government that recognizes that it has a responsibility to invest now in

certain things which will determine the future health of a state. Education, roads and highways, cities; these are areas that deserve our attention today, so that we can grow tomorrow. If, like the ostrich, we stick our heads in the sand and ignore these issues, our children and our children's children will suffer for our ignorance.

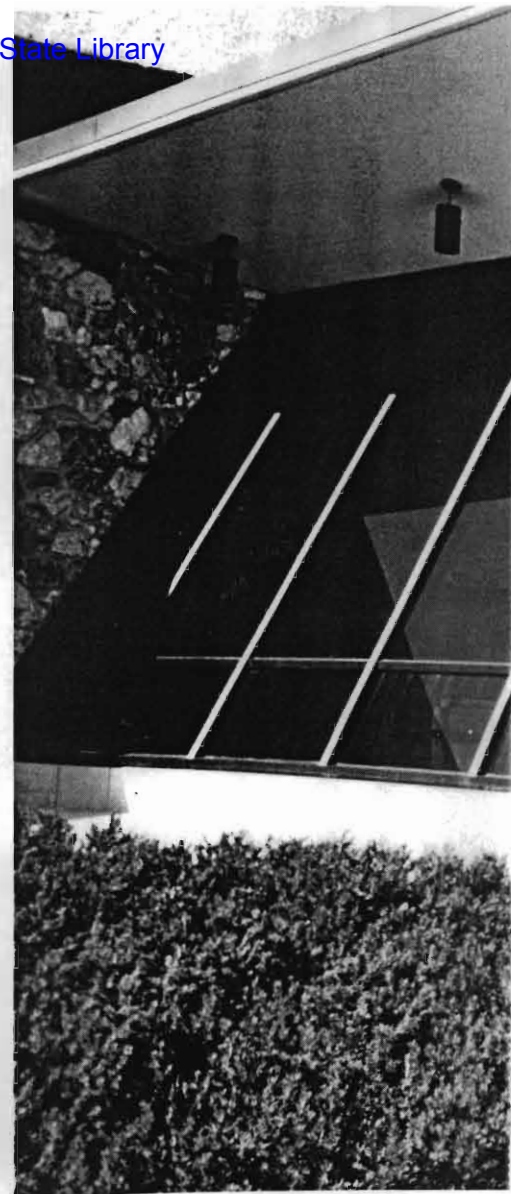
This is my formula for New Jersey 2000. A formula based on the cultivation of a healthy climate that rewards risk takers and encourages opportunity. A formula that includes investment in the many resources, both human and physical, of our great state.

This is not a new formula. It should not surprise you. In fact, it should sound remarkably familiar. It is a formula that we have slowly developed together over the past four years. The short-term success of that formula is apparent today. Now, we must guarantee long-term success, so that New Jersey will shine even brighter tomorrow.

Your commitment to our future, your willingness to invest in New Jersey 2000, was illustrated this past year by your passage of the Environmental Trust program.

The environmental benefits of the program are obvious, but the economic importance should not be underestimated. Already, over 100 towns and cities in New Jersey face building bans because of inadequate sewage treatment facilities. Another 100 towns face bans this year. The Environmental Trust Bond Issue, which the voters approved this fall, will help these localities come up with the money to repair their decaying systems, and set the stage for future construction and growth.

The Environmental Trust is not a free lunch. It would probably be more accurate to call it a cheaper lunch. But at least it is a lunch. Without it, our towns and cities would have starved for the cash to rebuild their decaying



wastewater treatment facilities. The Environmental Trust offers a long-term solution to this problem. In addition, it helps eliminate another impediment to continued growth, the problem of what to do with the tons of garbage we produce every day.

Previously, I noted the importance of a healthy business climate. Well, seven years ago, the widely respected Alexander Grant Business Survey placed New Jersey next to last in terms of business climate. Given that ranking, it is no wonder that our economy perennially lagged behind the rest of the nation. It is no wonder that new jobs used to stop at New Jersey's border.

In 1985, Alexander Grant ranked us 24th in overall business climate, a jump of five spots from 1984. Significantly, we are now ranked first in the Middle Atlantic region, and ahead of every New England state. This is good news. What makes me prouder is to know that we did best on factors that can be controlled by

state government. This is indicative of the change in attitude here in Trenton. I thank you for working with me to ensure that growth and job creation are now the priorities of this state government.

Perhaps the most important factor in establishing a pro-growth business climate is our level of taxation. In order to continue to attract new jobs we must maintain lower tax rates than our neighboring states.

This past year, we again took several major steps towards eliminating onerous taxes which unnecessarily burden our hard working men and women.

In February, I signed legislation mandating the biggest tax cut in our history: the phase-out of most elements of the transfer inheritance tax.

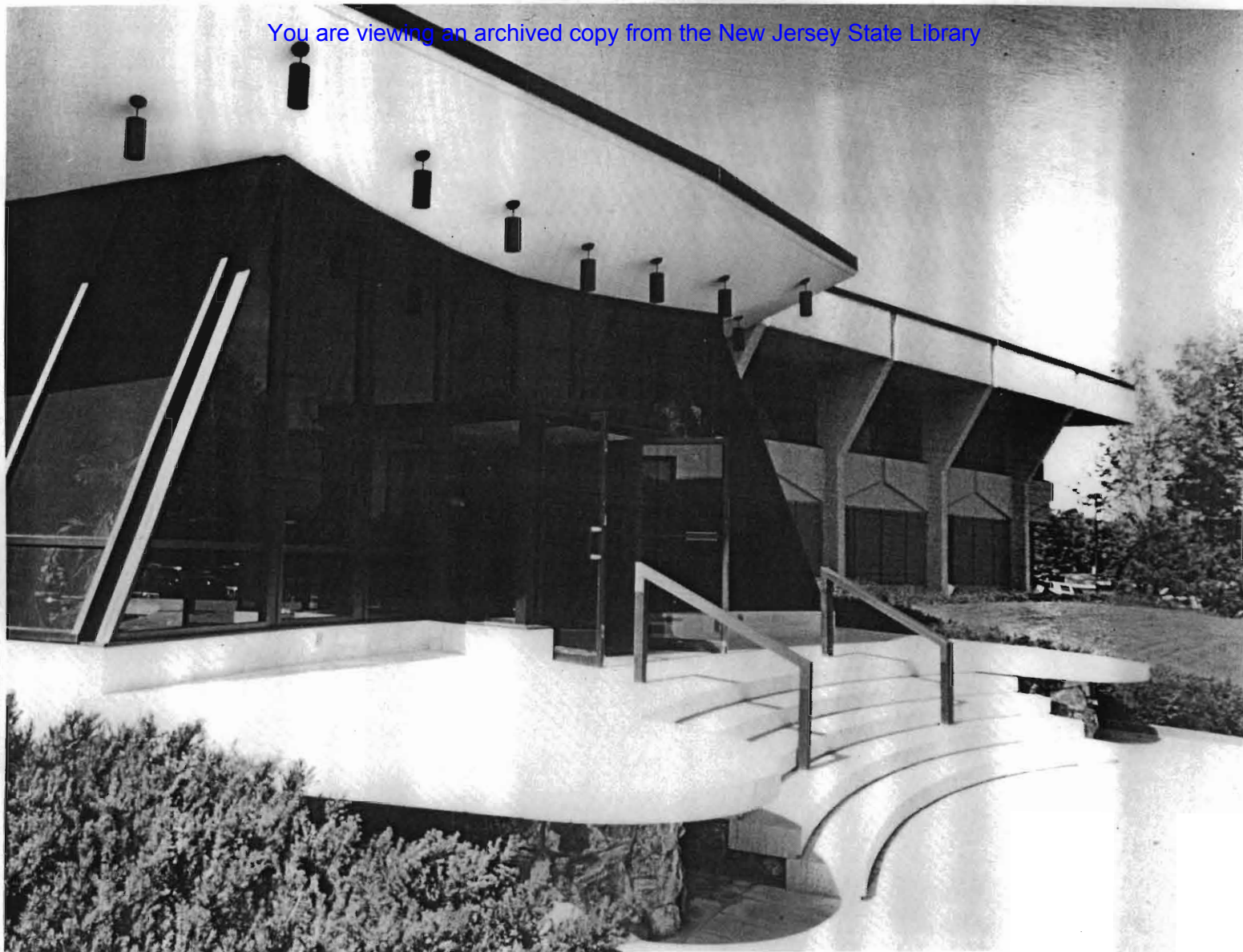
As you know, the transfer inheritance tax was paid primarily by farmers, small businessmen, and the elderly. The new legislation exempts most spouses from the tax by July of this

year, and most children by July of 1988. I thank Assemblyman John Doyle and the late Senator Garrett Hagedorn for their tenacious backing of the legislation. It will provide more than \$100 million a year in tax relief to our citizens.

Less than one month after signing that legislation, we were able to put in place even more incentives for small business by enacting loss carry forward legislation.

Under the new law, businesses are able to deduct losses in their first seven years of operation from profits gained in later years. This gives small businesses a bottom-line reason to endure the tough early years, knowing they can keep their profits later on. It is especially important to our many fledgling high tech firms.

Before we enacted loss carry forward, New Jersey was one of only four states that did not offer this incentive to small business. Our new law allows us to compete on equal footing



with our neighbors. It will save New Jersey businesses \$36 million over the next three years.

1985 saw more good news for New Jersey business, when, in August, we made the final payment of \$213 million for past debts to the Federal Unemployment Insurance Program.

When I took office four years ago, our outstanding debt stood at over \$600 million and was costing New Jersey businesses over \$125 million a year. It meant a \$42 annual tax on every New Jersey worker.

Thanks to the compromise legislation you passed two years ago, we were able to pay off the debt and free New Jersey businesses and workers from this anchor around their necks. I am pleased to report to you that our unemployment trust fund now has over \$700 million in reserve, should any economic downturn occur in the future.

Fifteen other states still owe over \$6 billion in unemployment insurance debt

to the federal government. Thanks to your farsighted and cooperative action, New Jersey now has a competitive advantage over each of these states.

The coming months will witness elimination of another unnecessary burden on New Jersey businesses: the corporate net worth tax. The phase-out of this tax will be completed this July. We are letting entrepreneurs know that New Jersey is a state that rewards innovation. We are letting them know we are a good state in which to do business.

In the past few years we have made enormous strides in eliminating the tax burden on our businesses and workers. You deserve congratulations for your efforts.

We must as a state find ways to continue vital services without state or local tax rates that impede growth. That is why you joined with me in establishing the State and Local Expenditure and Revenue Policy Commission.

Last May, I appointed former State Treasurer Ken Biederman to chair this vital Commission. Mr. Biederman and the others on the panel bring an enormous wealth of talent and experience to the job. They will need it. It is a thankless task they have, but it is an important one. I believe that there is no greater gift we can give our children than a reasonable tax system tied to an effective spending system.

I cannot overemphasize the importance of the commission. New Jersey can be the nation's economic leader in the year 2000. But an overhaul of our overall tax and spending system is absolutely necessary if we are to achieve that goal.

A fair and efficient tax system is important to our long-term economic growth. A corollary to this is a streamlined state government that handles the taxpayer's money prudently, and responds to needs of the business community.



In 1985, New Jersey state government continued its record of sound and responsible financial management. For the eighth straight year, we received a triple A rating from both major bond houses. New Jersey is one of only eight states to receive this preferred rating, and the only one in the Northeast.

For the first time in 35 years, our Division of Investment earned more than \$1 billion in returns. The return on pension funds was 31.2 percent – eight times the rate of inflation. New Jersey's strong financial standing is a tribute to the work of Michael Horn and the State Treasury. I am grateful to Treasurer Horn for his four years of service to the people of New Jersey.

In 1985, New Jersey matched its reputation as a leader in the financial world by taking the lead on the most pressing moral issue of the year: the repugnant behavior of the South African government.

The legislation you passed,

requiring divestment of all state pension funds in South Africa within three years, places our state first in speaking out against the only government in the world that institutionalizes racism. I am proud that New Jersey is a leader on this issue. I thank Assemblyman Willie Brown for his diligent efforts to protect freedom and equality everywhere.

Like you, I believe that our pension funds should be used as a carrot to help improve the situation in South Africa. If the situation there improves, we should be able to begin reinvesting our pension money. Accordingly, I await legislation that will allow reinvestment if the South African government takes steps to end apartheid. This legislation is entirely consistent with the intent of our original action. I know you will give it speedy approval.

While our house is in order, both financially and morally, we made other strides in streamlining government and improving the delivery of services.

1985 was the first full year of opera-

tion of our one-stop permit identification system, run by the Department of Commerce. Under this system, developers can obtain, from one source, information on all permits and approval needed for construction of an office or home.

Our new Office of Telecommunications and Information Systems (OTIS) continued to consolidate the operation of state government. OTIS saved millions of dollars last year, and is expected to become fully operational in 1986.

And the New Jersey Lottery had the lowest operating costs of any lottery in the nation.

Creating a lean and efficient state government is one of the most important steps we can take to improve our business climate. Many of our current regulations may inadvertently drown our businesses in a sea of red tape. As Assemblyman Robert Franks has pointed out, this is unfortunate. We should do what we can to reduce duplication and improve regulatory



efficiency.

Assemblyman Franks has introduced legislation to conduct a comprehensive study of state regulations and to recommend improvements. It is a farsighted, pro-growth bill. I hope you will act on it favorably.

Sometimes it is necessary to do more than merely remove roadblocks for business. In some cases, especially with job-creating small businesses, it is a wise investment to actually help businesses grow. That is why we have developed myriad programs to provide direct assistance to new or expanding firms.

Under the leadership of Commissioner Borden Putnam, our Division of Economic Development brought 56 new companies to New Jersey in 1985 and helped with the expansion of another 71. These new businesses created over 10,000 new jobs. The Department's attitude is a major reason that New Jersey now ranks third in the nation in concentration of corporate headquarters.

The New Jersey Commission on Science and Technology began its first year of operation in 1985, providing \$1.8 million in funds to research teams doing leading edge work at our universities. The Commission will continue to play a central role in New Jersey's emergence as the high technology capital of the East. Blessed with the highest per capita percentage of scientists and engineers in the country, we should work as partners with our universities and with the private sector to encourage the growth of industries such as biotechnology, telematics, and food processing.

This past year was another active one for the New Jersey Economic Development Authority. The Authority provided approximately \$1 billion in tax exempt industrial development bonds (IDB's) to New Jersey businesses.

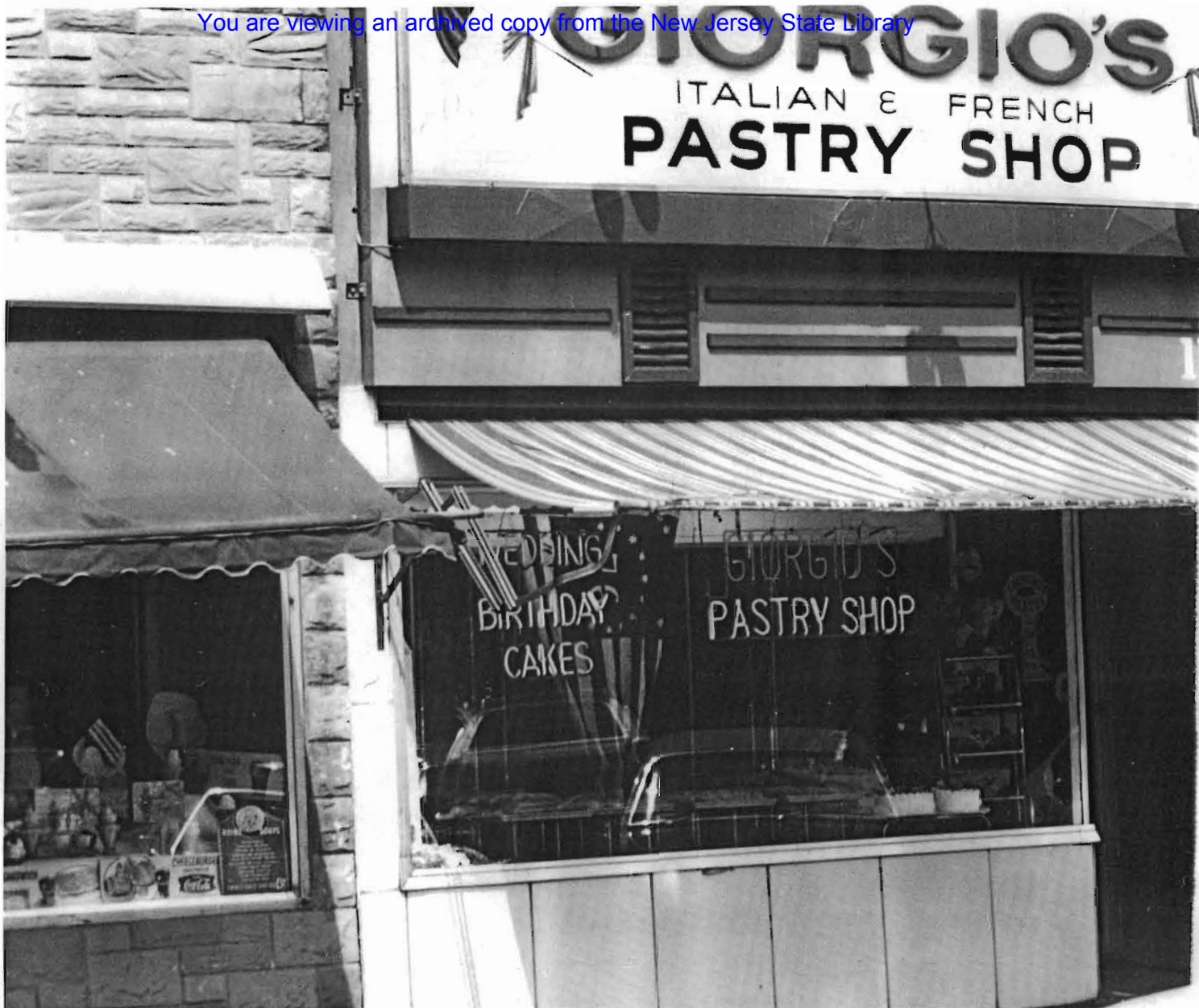
These financings should translate into over 25,000 jobs, and they make EDA the largest single issuer of IDB's in the country. Unfortunately, the future of

this growth tool is in doubt because of proposed changes in federal tax laws. I call on our Congressional delegation to protect the use of IDB's, which have played a major role in New Jersey's construction and commercial expansion.

Along with the need for low-interest capital, many New Jersey businesses face a need for trained labor. In 1985, our Department of Labor placed 12,000 people in private employment under the combined auspices of the Job Training Partnership Act and the Governor's Training Initiative. These programs, which rely heavily on private sector input, helped reduce the total number of unemployed New Jerseyans by 5 percent.

In November, the U.S. Department of Labor joined as partners with the state in a three-year, \$5 million national demonstration program to train displaced workers who lose jobs in declining manufacturing industries.

These workers can benefit from training programs that can give them



the skills to obtain jobs outside the manufacturing field. At the same time, we must take positive steps to protect this important base of our economy.

The weakness of the manufacturing sector stems in large part from the overvalued dollar and from unfair trading practices by some foreign competitors. Congress must continue to work to reduce the budget deficit, and lower the value of the dollar on foreign markets. I also call on Congress to enact fair trade legislation, to protect our workers against illegal dumping of goods, and to prohibit other countries from blocking access to their markets from American industries. International trade must take place on a level playing field. If that field is tilted against us, our workers will suffer.

Small businesses employing under 100 people remain the most prolific job creators in our economy. The climate for these firms continues to improve,

because of our dual success in getting rid of burdensome taxes and because of our efforts to improve assistance programs run by state government.

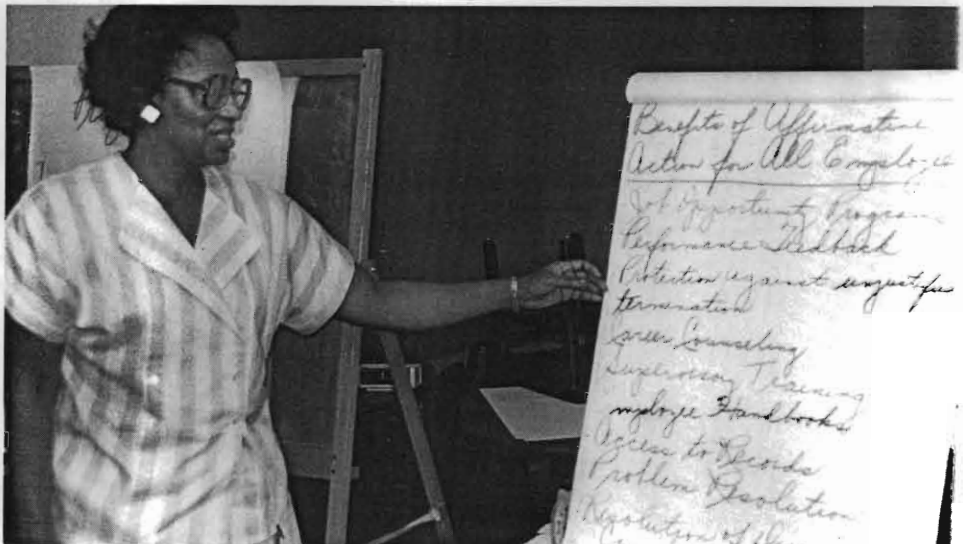
In the past year, *Inc. Magazine* ranked New Jersey 8th in the country in climate for small business growth and expansion. This ranking is a two-step jump over our 1984 ranking and a twelve-step jump over 1982.

State contracts represent a potentially lucrative yet often ignored source of income for growing firms. This past year, the Office of Small Business Assistance, with the help of the New Jersey Small Business Development Center, held a series of thirty-four seminars around the state to make small firms more aware of available state contracts. The Office continues to update a centralized listing of all small businesses, to facilitate the match between available vendors and state

agencies.

An increasing number of small businesses are run by women and New Jerseyans from minority backgrounds. These people are finding that the way out of dead-end, low paying jobs is to do it yourself, to own and run your own business. Today, over 59,000 New Jersey women run their own businesses, up from 18,500 in 1978. According to the most recent U.S. census figures, the number of businesses owned by black New Jerseyans has increased by 37 percent since the late 1970's.

We must do all we can to help these New Jerseyans. Economic opportunity must be available to everyone, especially those who in the past have been prevented from getting their shot at a piece of the economic pie. I hope that in New Jersey 2000 the pages of successful business magazines will be packed with stories of women and minorities who



have taken one idea and turned it into a corner shop, a thriving business, or even an entire new industry.

Many New Jersey companies share my dream. Merck and Company Inc., and Pathmark, among others, have attracted national attention for vigorous affirmative action and minority recruitment programs. I call on all New Jersey companies to work with me to bring more minorities and women into the economic mainstream. I present a specific challenge to the banking, insurance and law firms in the state. These firms, in particular, should make every effort possible to appoint qualified minorities and women to their corporate boards. In addition, I ask New Jerseyans involved in the casino industry to make a concerted effort to expand the use of minority-owned vendors.

All of us, in both public and private life, must do what we can to break down

archaic barriers and to make individual economic opportunity a reality for more New Jerseyans. Our state will be so much stronger tomorrow, if we can broaden our economy today.

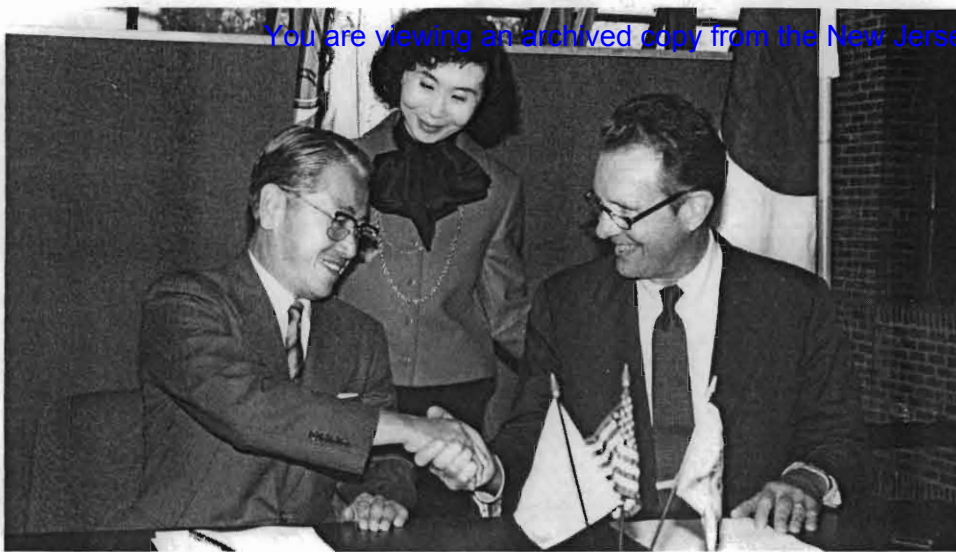
Last month, we took a major step in this direction. I signed legislation mandating that state agencies establish goals of having 7 percent of their contracts set aside for minority-owned businesses, and 3 percent for women-owned businesses. This is on top of the existing 15 percent set aside for all small business. I thank Senator Wynona Lipman for her backing of this legislation. State contracts provide a consistent stream of revenue that can mean the difference between profit and bankruptcy for many small firms. Unfortunately, today less than 3 percent of total state contracts go to minority or women-run firms. I hope this new law can serve as a catalyst to spur the

development of minority and women-owned businesses.

To help implement this legislation, the Office of Small Business Administration and the Office of Minority Business Enterprise are developing a one-stop certification process to prevent the establishment of fake firms that can subvert the intent of set-aside legislation.

This session you will consider legislation to consolidate our efforts in this area by creating a Division of Small and Minority Business within the Department of Commerce. This Division would include the Office of Small Business Assistance, the Office of Minority Business Enterprise, and a new Office of Women's Business Enterprise. This is sound legislation. It reflects the priority we should give to this issue. I hope you will act on it favorably.

Just as more and more businesses



are run by minority New Jerseyans, a growing number of firms are owned and operated by citizens of foreign countries. Over 30 foreign firms located or expanded within our borders during 1985. Our Department of Commerce signed agreements with two Japanese banks to help assist interested companies with financing and location. Two more agreements are expected in the coming year. Two foreign trade zones continued in operation, in Mount Olive and Elizabeth. These zones allow foreign manufacturers to build products in New Jersey, free from tariffs, and then ship the products to other countries for sale. The bottom line is more jobs for New Jersey workers.

Today, we rank fourth in the nation in foreign investment. Our world class port facilities and central location make New Jersey a perfect state for foreign companies looking to get their products to lucrative American markets. Hyundai Motor Company, a major Japanese

manufacturer, has already agreed to build a warehouse and distribution center next year in Jamesburg for its new car, the Pony Excel. The Department of Commerce will increase its efforts to attract even more foreign investment in the coming year.

Foreign trade is a two-way street. Under the leadership of Ming Hsu and the Division of International Trade, we made great strides in advancing the sale of New Jersey-made products abroad in 1985. During the year, the Division led the nation's first minority trade mission to the Caribbean. In all, New Jersey businesses participated in eleven overseas trade shows in 1985, including one in China. These produced over 4,000 leads and millions of dollars in sales for New Jersey businesses.

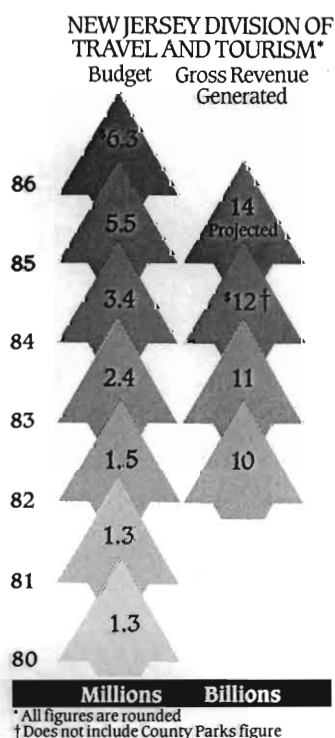
While New Jersey businesses were increasingly active abroad, within our borders we witnessed another outstanding year for what is now our second biggest industry, travel and

tourism.

According to the latest figures from the U.S. Travel Data Center, New Jersey experienced a 17 percent increase in tourism between 1982 and 1983, the biggest jump in the nation. More and more people are flocking here to enjoy the Jersey Shore, the Meadowlands, or our numerous historical sites.

Our Division of Travel and Tourism did much to spur this success. A year-round tourism ad campaign was launched in 1985, and in the coming year the Division will renovate Tourist Centers at Newark Airport and Liberty State Park. The "New Jersey and You Perfect Together" campaign continues to attract national attention and the aggressive efforts of the Division to attract tourists are paying off.

Money spent on tourism is an investment in our economic well-being. Only California, Texas, Florida, and New York now rank ahead in dollars contributed to the economy by visitors.



In 1983, according to the Division of Travel and Tourism, the industry generated \$10 billion in expenditures and employed over 300,000 people.

With proper nurturing from state government, our tourism industry should continue to expand well into the year 2000.

The arts also contribute greatly to the quality of life in the Garden State. Since 1983, the budget for the New Jersey Council on the Arts has increased 142 percent. This money allows groups such as the New Jersey Opera, the New Jersey Symphony and others to travel around the state and region, opening cultural doors for all New Jerseyans and advancing our reputation as a center of cultural activity. Every dollar we invest in the arts brings 4 dollars into local economies.

During the fall of this year, New Jersey will play host to two very special occasions: the ten-year anniversaries of the opening of the Meadowlands

Racetrack and the Giants Stadium.

Preceding these anniversaries, in July, New Jersey will take center place on the world stage as the Meadowlands hosts the finale of the rededication of the Statue of Liberty. A prime-time audience will witness the ceremonies, and the extravaganza will be beamed by satellite throughout the world. It will be a day of pride for all New Jerseyans, who in the past decade have witnessed the trans-

"Let's hope that the cry of 'play ball' will soon ring out over New Jersey."

formation of what was once swampland and burning garbage dumps into the nation's premier sporting and entertainment facility.

Under the leadership of Chairman Jon Hanson, the Sports Authority this fall, made a presentation to the long-range planning committee of major league baseball. To paraphrase Commissioner



Peter Ueberroth, "New Jersey got our attention." I thank you for your approval of legislation to grant the Sports Authority new power, including the authority to build a major league baseball facility. We will continue our campaign for a major league baseball team in the coming year. Let's hope that the cry of "play ball" will soon ring out over New Jersey.

We also will continue our efforts to attract a major movie studio or television network. For the eighth consecutive year, the New Jersey Motion Picture and Television Development Commission reported an increase in New Jersey-based television and movie productions. Overall, production companies contributed nearly \$17 million to our economy. A major studio or network would only enhance our burgeoning reputation in this high profile industry.

1985 witnessed the continued success of the "Jersey Fresh" program, to identify agricultural products that have been grown in the Garden State. A

Gallup Survey found that more than 50 percent of consumers agree that New Jersey farm products taste better and are fresher than products grown elsewhere. The 21 different chains now participating in the Jersey Fresh program report that sales of New Jersey grown produce have increased from 12 percent of total sales during 1980-83, to 20 percent of total sales in 1984-85. These stores expect New Jersey produce to capture 25 percent of the market in 1986.

The formula for success in New Jersey 2000 translates into a few simple directives. Comprehensive reform of our tax and spending system, continued diligent effort to improve the climate for business, special attention to promoting opportunity for New Jerseyans who have not traditionally reaped the rewards of private enterprise, and prudent investment in emerging industries like international trade and tourism, which show so much promise for the future.

But these initiatives pale in

comparison next to our most difficult task of all: the revitalization and renewal of our urban areas. Newark, Hoboken, Trenton, and Camden, once the jewels of the East Coast, have the potential to sparkle again. We must make them sparkle. New Jersey 2000 cannot be a state of prosperity and plenty in the suburbs, next to poverty and privation in the cities. If New Jersey is to be the economic dynamo of America, the cities must share in the growth and prosperity.

Our task will not be easy. It will take two ingredients, investment by the public and private sectors and a willingness to try new ideas. The old ideas for developing our cities have not worked. It is time to begin anew with bold new programs. It is time to dare to experiment.

I am convinced that we can do it. In the past few years, you have advanced some of the most innovative urban renewal programs in this country. They are beginning to pay dividends. We must



expand and improve these programs and devise others.

Three years ago, the voters approved the Community Development Bond Act. You then authorized the Local Development Financing Fund to use the bond money to provide low-interest loans to city developers. In 1985, the fund advanced more than \$14 million in grants and loans, creating more than 1,600 new jobs. Since this is a matching loan program, an additional \$50 million in private investment flowed into these cities.

You will soon have before you legislation to authorize another \$30 million for expenditure under the LDFF program. I hope you will give it quick approval.

The State Urban Enterprise Zone program continued to grow in the past year. Three zones became operational in Trenton, Plainfield, and in Bridgeton, and in October, five more zones were authorized in Jersey City, Elizabeth,

Orange, Kearny, and Millville/Vineland.

The success stories are heartwarming. In Newark, a local businessman is turning an abandoned dance hall into a restaurant. A businessman in Philadelphia has decided to move his \$4.4 million industrial laundry across

NJ Urban Enterprise Zones

BRIDGETON

Money Invested - \$8,727,705.13
Total New Jobs - 741 (full time) 109 (part-time)
Implementation date - April 22, 1985

CAMDEN

Money Invested - \$59,471,899.00
Total New Jobs - 1,131 (full time) 73 (part-time)
Implementation date - October 17, 1984

NEWARK

Money Invested - \$128,461,157.60
Total New Jobs - 2,171 (full time) 413 (part-time)
Implementation date - Dec. 25, 1984

PLAINFIELD

Money Invested - \$17,386,969.00
Total New Jobs - 1,041 (full time) 384 (part-time)
Implementation date - July 7, 1985

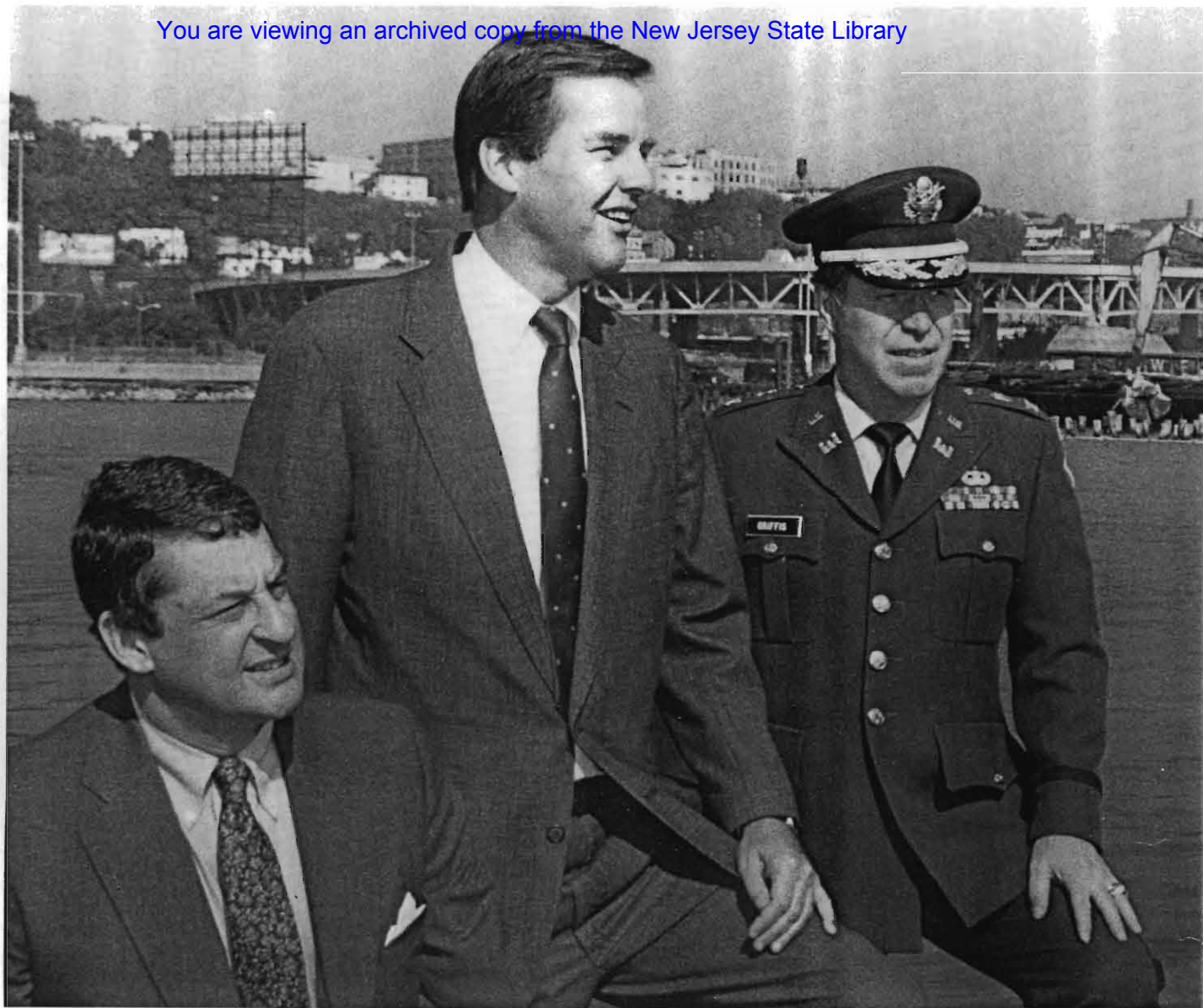
TRENTON

Money Invested - \$53,965,000.00
Total New Jobs - 491 (full time) 88 (part-time)
Implementation date - April 24, 1985



the river to Camden. In Trenton, ground was broken this summer for a \$60 million hotel and office complex. The developer admitted that he would have built in the suburbs if it were not for the incentives of the UEZ program.

According to the Department of Commerce, more than \$200 million in private investment has been attracted to these zones. This investment will result in the creation of over 6,200 jobs in the next three years. This phenomenal



growth rate makes the New Jersey enterprise zone program the most successful in the country.

Given the success of the New Jersey program, I call on our delegation in Congress to make enactment of federal urban enterprise zone legislation a top priority. Federal tax incentives will give local entrepreneurs one more reason to take a chance on our depressed inner cities.

In July of last year, I signed legislation creating a unique tool to help rebuild our cities: the Urban Development Corporation. I called for this legislation in each of my past two State of the State messages. I thank Assemblyman David Schwartz and the rest of the legislature for approving this Corporation, the only one of its kind in the country.

The UDC will loan to developers, sign stocks and bonds, and make low interest loans. It has the power to become an "equity partner" in nascent businesses. The Corporation will achieve

its initial funding from a \$30 million appropriation from the Community Development Bond Act.

I will soon submit to the Senate nominations for the UDC Advisory Board. I hope that you will act on these nominations quickly, so that the UDC can begin working. In particular, I hope the UDC will undertake a comprehensive analysis of all our urban aid programs. We need to improve the coordination among these programs in order to get the maximum result for every dollar that we invest. The UDC provides the perfect mechanism for streamlining and improving our urban aid efforts.

In the past, high crime rates have often been ranked as a major deterrent to businesses locating in our cities. For each of the past four years, I have asked for increases in the Safe and Clean Street Program, a program initially originated under legislation I sponsored as an assemblyman. This program has been essential in putting more police and

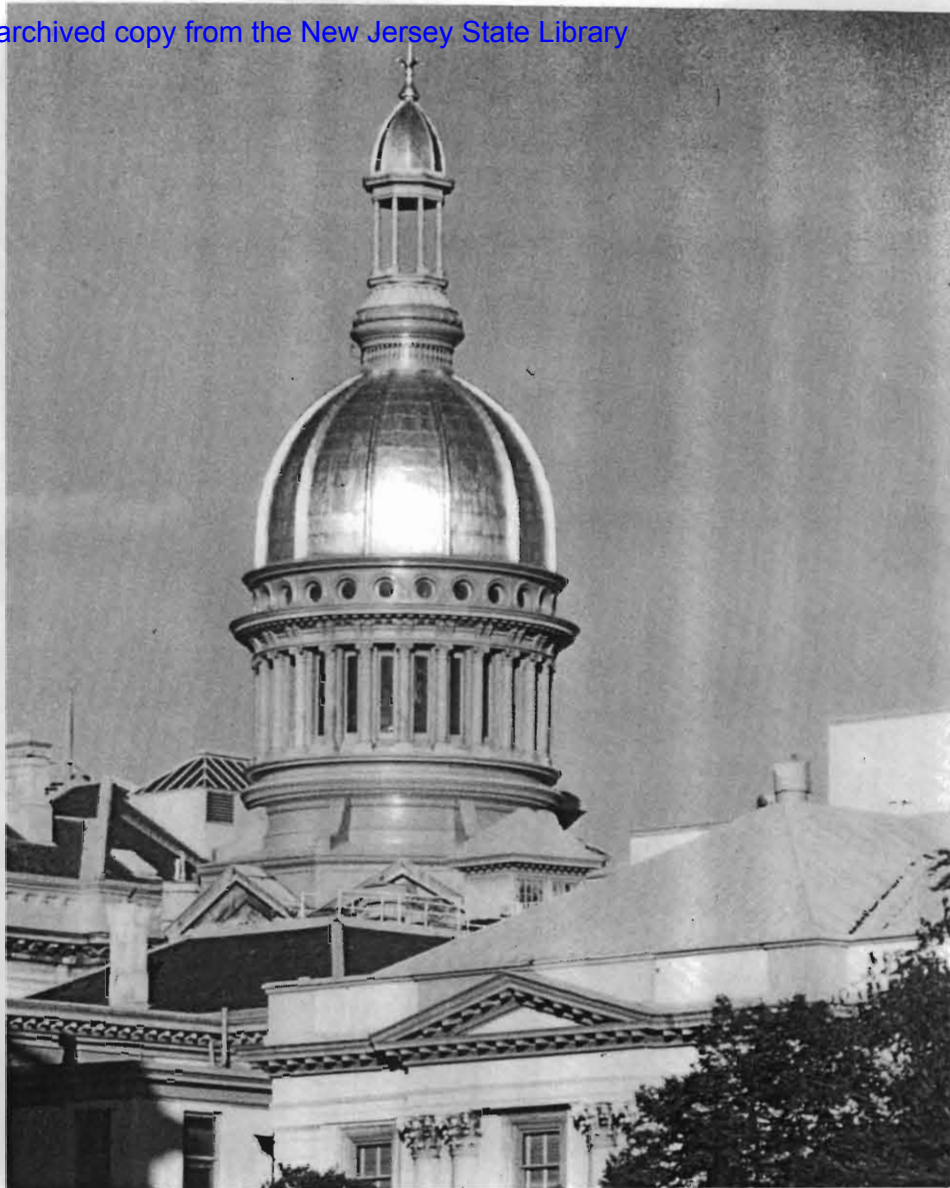
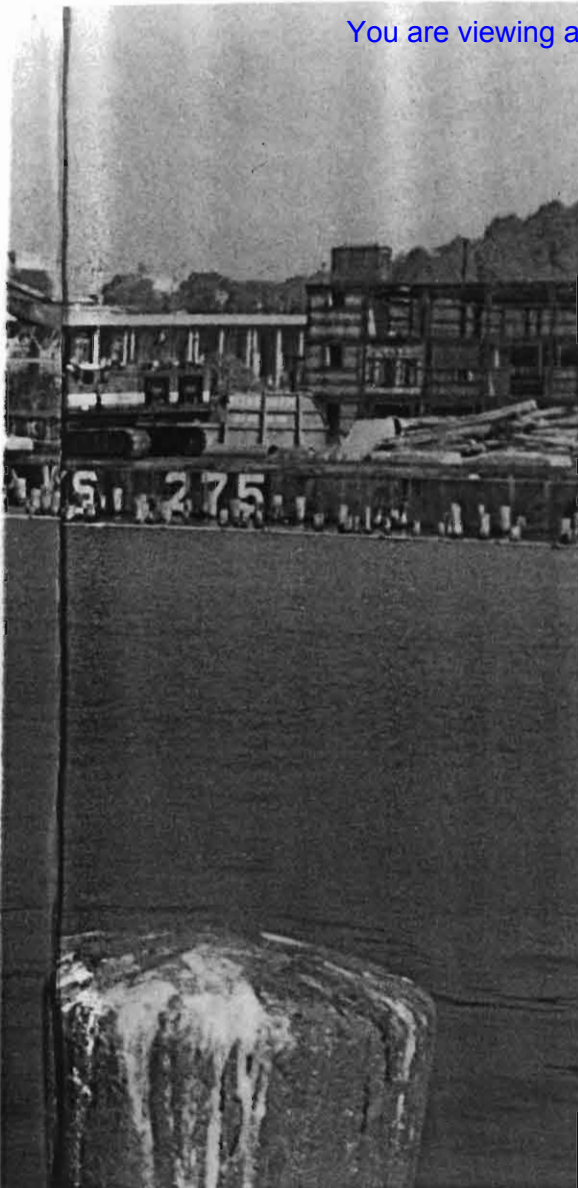
firefighters on our cities' streets.

The LDFF, Enterprise Zones, and UDC are all broad programs designed to spur investment in various cities across the state. Within the individual cities themselves, we are working with more specific tools of urban development.

Our strategy is simple, we use the indigenous resources within each city and attempt to promote growth around them. We build on strengths that are already there.

1986 will mark the 150th anniversary of the incorporation of our state's largest city, Newark. As the anniversary dawns, Newark is enjoying a pace of economic development that has not been seen in twenty years.

Last summer, I broke ground on a \$50 million Legal Communications Center. When completed, the Center will provide Newark with all of the state-of-the-art facilities necessary to become a legal center for the entire East Coast. It is just one result of the historic



agreement I signed with Governor Cuomo two years ago, to make better use of the Port Authority in the renewal of our cities.

In November, construction began on the \$40 million Gateway IV building, the latest addition to the Gateway office complex. Improvements are also underway at Newark Airport, the fastest growing airport in the country, including expansion of the People Express Terminal.

Under the new lease we negotiated with the Port Authority last year, Newark received an additional \$14 million to use for redevelopment of its inner city area. The City of Elizabeth receives a half-million dollars a year under the same agreement.

Newark's potential as a hub of eastern transportation is finally being realized. In addition, efforts are underway to restore the city's reputation as a center of culture and the arts. The state is contributing to the expansion of

programs at the Newark Museum and Symphony Hall.

In the coming year, construction of a new 1,000-bed state prison will continue, bringing in another 551 jobs for local residents.

Along the Delaware River, in Camden, signs of rebirth and renewal are also apparent. In August, the state opened a \$31 million, medium-security prison tucked beneath the Benjamin Franklin Bridge. While taking the pressure off our growing prison population, the prison will bring about \$8 million a year into the local economy. Already this year, over 100 Camden residents have found jobs at the prison.

Camden's renewal will be greatly aided by the decision of the Campbell Soup Company to transform the city's waterfront with a \$150 million world headquarters office complex. The Sports and Exposition Authority will supplement these efforts with construction of an aquarium at a site

"New Jersey's capital should be just that, a capital city."

adjacent to the Campbell Soup complex. We estimate that the total project will eventually create about 2,500 permanent jobs, and attract 500,000 visitors annually.

New Jersey's capital should be just that, a capital city – a model for others to follow. My administration is changing Trenton's skyline. Currently, construction is ongoing on the new Department of Environmental Protection building, the new Department of Community Affairs building, and a new Commerce building. I am committed to investing in our city, and I am proud of the role the state is playing in restoring our capital to its former luster.

Senator Gerald Stockman has argued that even more use should be made of the state's broad expertise in



economic development. Like the Johnson and Johnson Corporation in New Brunswick, the state can use its presence as a catalyst in promoting development in surrounding streets and neighborhoods.

In cooperation with Senator Stockman, I have been working to develop a Capital City Redevelopment Commission. The Commission will include specialists in urban planning from both the state and local government. The Commission will make recommendations for the development of the area surrounding the Statehouse. This will complement and enhance the growth occurring elsewhere in the city.

Trenton, once contemplated as the capital of our entire country, is a city rich in history and rich in potential. It should be a showplace, true to its heritage. The Redevelopment Commission can make the state a partner in realizing the city's potential.

In the past year, another New Jersey city, Atlantic City, emerged as the most

popular resort in America. The continued growth of the casino industry was the major reason that Atlantic City led the entire state in job growth, with a total of 10,300 new jobs created in the year beginning July 1984.

Growth in the tourist industry in Atlantic City is hampered by inadequate transportation facilities. Over 99 percent of the 28 million visitors to Atlantic City last year arrived by automobile. A major initiative to improve this situation was approved in October, when Transportation Commissioner Roger Bodman signed a contract granting final approval for \$30 million in federal funds to help build a rail line from Philadelphia to Atlantic City.

I am particularly pleased that the rail line will include commuter stops along the way, to help spur the development of all of South Jersey. I give thanks to Congressmen Florio and Hughes and Senator Lautenberg for their leadership in the struggle to obtain the necessary

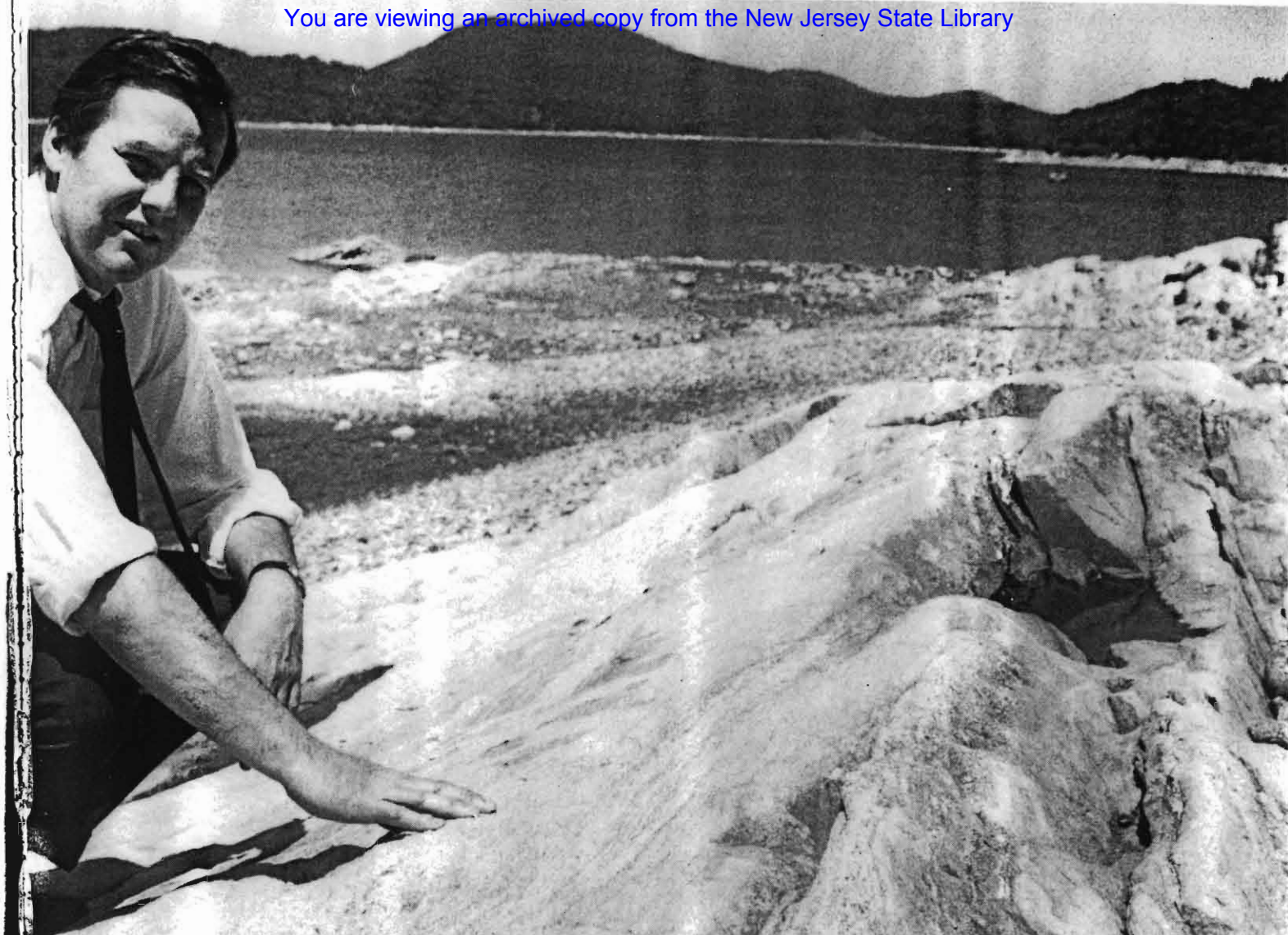
federal funds.

In November, Atlantic City resident approved a \$125 million bond issue to be used to help renovate the Atlantic City Convention Center. This is a major step to broaden the city's appeal.

The development of Pomona Airport will also contribute to the city's growth support direct connections from the Atlantic City Expressway to the airport as has been suggested by Senator William Gormley.

Because of legislation I signed, the Casino Reinvestment Development Authority became operational in 1985. The Authority has raised \$45 million to be used to provide housing and community services for low and middle income residents. Most important, the CRDA will provide funding for development throughout South Jersey. I thank Senator Gormley and all of you who are committed to the renewal of the Atlantic City area.

While Atlantic City made progress in improving its infrastructure, another



New Jersey city, Passaic, was struck by tragedy that destroyed much of its industrial base. The Labor Day fire leveled 25 acres of industrial and residential buildings and threw 2,000 people out of work. Total damage was estimated at \$450 million.

I want to thank all concerned New Jerseyans who responded so quickly with help for the victims of this tragedy, in particular the Red Cross of Essex County. I am also grateful to our Congressional delegation for helping to speed federal emergency aid to the city.

Under the leadership of Mayor Joseph Lipari, the rebuilding of Passaic has already begun. The city offers enormous potential as a transportation hub and as a city with a wide expanse of waterfront. With prudent planning, I know that Passaic can rebuild and emerge stronger than ever.

More progress was made this past year in our efforts to redevelop what many consider to be the most valuable piece of real estate in the nation: the

Hudson River waterfront.

By the turn of the century, the Hudson waterfront can be a model of successful urban development. All the resources are there to attract new businesses, new jobs, and new housing.

Currently, 22 separate development projects along the waterfront are either on the drawing board or under construction. Developments are underway in Edgewater, North Bergen, Guttenberg, West New York, Weehauken, Hoboken, Jersey City, and Bayonne. Taken together, these projects involve over \$10 billion of investment. They could create 20 million square feet of office space, 36,000 residential units, and 2 million square feet of commercial development by the turn of the century. This burst of activity will create 100,000 new jobs, including 30,000 for Hudson County residents alone.

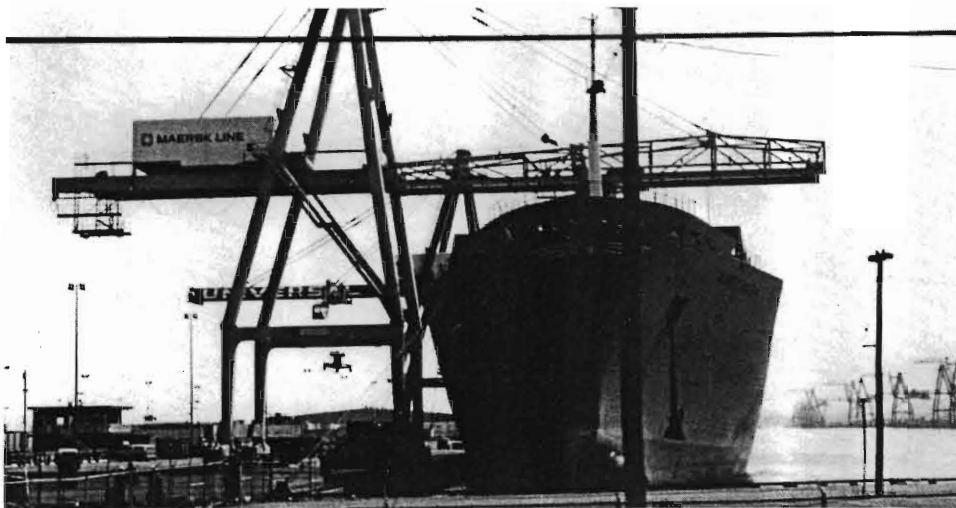
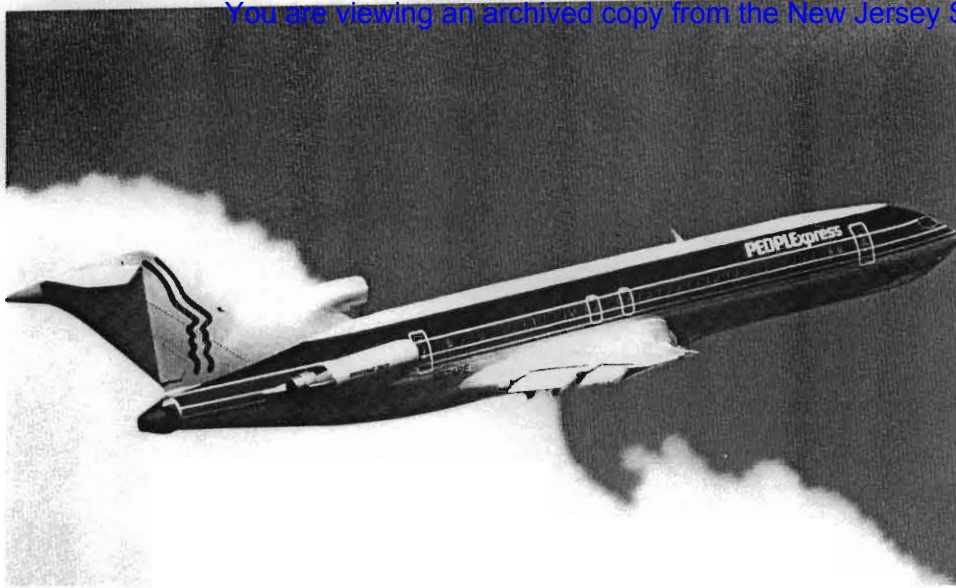
The major roadblock to successful development of the Waterfront is the potential for clogged roads and inadequate mass transportation.

Without a good transportation system, development will grind to a halt.

Last month, my administration took a major step toward alleviating this problem with the release of the \$825 million Hudson River Transportation Improvement Plan. The plan calls for construction of light rail and bus services along existing railroad right-of-way property, improvement of local road systems, and the construction of two new commuter parking lots to increase the attractiveness of mass transit.

We will work closely with local mayors and town governments in implementing the recommendations of this plan as quickly and smoothly as possible. We have reached an agreement with Conrail to purchase the Weehawken Tunnel and River Line for use in the light rail system. In the future, I may submit legislation to you to help implement the transportation system. I hope I can count on your continued support for this landmark initiative.

The development of the Hudson



waterfront must be consistent with attempts to provide affordable housing for the low and middle income residents of these cities. We will not allow people who have lived in Hudson County all their lives to be displaced. In 1985, the Housing and Mortgage Finance Agency awarded \$136 million, the largest single award in its history, to the Newport City housing project in Jersey City. As a result, the developer agreed to set aside nearly 300 units for low and moderate income families. In addition, the Neighborhood Preservation Program, created under legislation that you approved last year, will provide \$8 million a year for the construction of housing in urban areas such as Hudson County.

We must do more. The State Waterfront Development Office, now in its second full year of operation, is working closely with local governments to develop a strategy to use developer contributions to spur the construction of affordable housing. State government has a responsibility to ensure that local

residents share in the benefits of the development boom that is going to occur in the next fifteen years.

While development continues, we must take steps to protect and improve the aesthetic beauty of the waterfront area. Liberty State Park is the center of our efforts. Last year, our Department of Environmental Protection spent more than \$3 million on restoration of the Park in preparation for the Statue of Liberty celebration this year. The Park's attractiveness will be further enhanced by the planned New Jersey Science and Technology Center. You will soon have before you legislation to authorize \$5 million in state funding for construction of the center, the only one of its kind in the region. The \$5 million in state investment will be matched by \$15 million in private investment. I hope you will give the bill speedy approval.

Construction of the shoreline walkway, from the George Washington Bridge to Bayonne, is also planned for the future. In November, the Port Authority agreed to pay \$5 million in

construction costs for the part of the walkway that crosses public land; private developers will pay for the rest. The walkway will give waterfront residents access to what will become a vibrant and dynamic waterfront area.

The appearance and safety of the waterfront is further improved by our ongoing work with the Army Corps of Engineers to clean abandoned piers from the riverfront in Hoboken and Weehawken.

In an effort to bring national attention to the exciting growth along the waterfront, we hosted the first annual New Jersey Marathon in May. The event was a resounding success; an enthusiastic crowd of 100,000 turned out to watch 1,500 determined runners brave the 26-mile course. Another 3,500 people competed in a five-mile run.

Given the success of last year's marathon, People Express has agreed to become the prime sponsor for the second annual New Jersey Marathon, on May 4th. With over \$350,000 in prize and appearance money, we will be able



to attract some of the world's most respected runners in the world, and further enhance this young event's already strong reputation. In addition, this year we will make a strong pitch to the U.S. Olympic Committee to choose the Hudson waterfront as the site for the 1988 Olympic Trials.

The Hudson waterfront is not the only New Jersey region that can benefit from a coordinated development plan. Last October, I unveiled a comprehensive strategy to revitalize the economically depressed Bayshore Region of Monmouth County.

The Bayshore Region has lagged behind the rest of the state's strong economic performance. Yet all the factors are there for a strong tourism industry and new economic development. Working with Monmouth County officials and the Port Authority, the state will improve transportation facilities, encourage better publicity for various tourism attractions, and streamline the development process. Through this public/private partnership,

we expect to attract \$400 million in investment to the Bayshore by New Jersey 2000. Moreover, this growth can occur while retaining the strong tradition of home rule.

The Port Authority's influence extends far beyond the Bayshore project. Indeed, it plays a prominent role in many of our urban development strategies throughout the state.

The Port Authority entered a new era in 1985, with the departure of Chairman Alan Sagner and Executive Director Peter Goldmark. Their leadership was vital to a period of strong growth for the Port. During their tenure, I signed the landmark 1983 agreement with Governor Mario Cuomo, which made the Authority more accountable to state government in New York and New Jersey and dramatically increased its role in rebuilding our cities. Their presence will be missed, but they have been replaced at the nonprofit authority by two able public servants, Stephen Berger and Philip Kaltenbacher of West Orange.

In the past year, tangible results of

the 1983 agreement began to be seen, as the Authority took a more active role in the economic development of the Garden State.

Site preparation began at the Hoboken Piers project in Hoboken, where the Authority will invest \$125 million and expects to attract \$800 million in private investment. This level of investment makes the Hoboken project one of the biggest developments along the waterfront. Current development plans include office space, a hotel, an 800-slip marina, 1,500 units of high-rise housing, and substantial improvements to sewers and other infrastructure components.

The Port Authority is moving on many fronts to improve transportation across the Hudson River. As the waterfront population continues to grow, pressures build for greater transportation capacity between New York City and New Jersey. Some 40,000 to 50,000 more New Jerseyans are expected to make this trip in 1990 than made the trip last year.



To make trans-Hudson travel safe and comfortable, the Authority has embarked on an \$800 million program to improve the PATH system. PATH has already ordered 95 new rail cars and has begun complete rehabilitation of its present fleet of 248 cars.

The Authority is also looking at a number of options for improving bus service to Manhattan. The use of the exclusive bus lane in the Lincoln Tunnel has increased by 25 percent in the past two years and as a result bus congestion has begun to erode the lane's time savings. In addition, this year the Port Authority began a \$78 million plan to replace the ceiling in the Holland Tunnel. The new ceiling is expected to last for fifty years and includes new lighting that will dramatically brighten the tunnel's appearance.

In addition, the Authority is rebuilding the sidewalks on the George Washington Bridge to make travel easier for pedestrians and bicyclists.

I have asked the Port Authority to examine the feasibility of extending a PATH line to Newark International Airport, to help ease the congestion on the roads and in the parking lots surrounding that facility. Some type of direct mass transit to the airport is desperately needed. Driven by the continued success of People Express

Airlines, passenger traffic at the airport has grown from slightly over 10 million in 1980, to 30 million today. This increase makes Newark the fastest growing airport in the metropolitan region and the ninth busiest airport in the world. By New Jersey 2000, the airport must be able to handle 40 to 50 million passengers a year. Improved mass transportation and additional parking are essential if the airport is to accommodate this level of growth.

While studying ways to relieve congestion at Newark Airport, the Authority also announced a \$430 million plan to improve the nearby Hudson River Port Facilities. Up to \$180 million of the total will be spent on modernizing and expanding facilities at Port Newark-Elizabeth marine terminals. This expansion, combined with an investment to dredge the Kill Van Kull, Arthur Kill and Newark Bay channels, will allow our ports to better handle the supercargo container ships that are today revolutionizing the shipping industry. The improvement will help the Port Newark-Elizabeth facility to maintain its position as the largest containerport in the world.

The Hudson not only serves as an excellent conduit for the passage of freighters, it can also provide a source of relief for the traffic congestion that

currently plagues the Holland and Lincoln tunnels. This summer, the Port Authority announced plans to move ahead with the development of a high-speed commuter ferry service between Hoboken and lower Manhattan. I applaud the Authority's initiative in approving this innovative solution to our traffic problems. I hope that construction on the new system can begin this year, with the service becoming operational in 1988.

The money available for these and other projects will increase because of another important part of our landmark 1983 agreement, the decision to move New York State offices out of the World Trade Center and to rent the vacated space at higher prices to private tenants.

The move is already underway and should be finished within the next few months. New lease agreements have already been signed for 83 percent of the vacated space. This will provide a substantial influx of money for development projects. By the year 2000 we should receive an estimated \$20 million a year from the higher leases.

The Port Authority is moving on many fronts to help revitalize the Hudson waterfront and our other urban areas. But we can do more to take advantage of the Port Authority's potential.

Specifically, I again call for your



approval of legislation to create a Bank for Regional Development, to funnel even more job producing investments throughout the region.

As you know, establishment of the Bank was one of the major recommendations of the 1983 agreement. It was envisioned that the Bank could make a wide range of infrastructure investments to spur other public and private investment throughout the waterfront.

In the meantime, the Port Authority is making investments in the construction of the southern portion of Route 169 and the expansion of eight park and ride facilities. I have also asked the Port Authority to continue funding the construction of portions of the Hudson River Parkway, the building of a busway to run from the Lincoln Tunnel to West New York, and the resurfacing of Route 495 near the Lincoln Tunnel.

With new legislation, however, the Port Authority would have increased flexibility to fund projects. For example, it would be able to use Bank money to help invest in a broader scope of waterfront housing and transportation projects.

I ask for your quick approval of the Regional Bank legislation, so that we may make maximum use of this excellent tool for regional development.

The Port Authority is just one major

entity, albeit an important one, in our overall program to renew our cities. We are using every tool and resource we possess, from Urban Enterprise Zones, to casino gambling, to the Hudson riverfront, to attract new jobs into our cities.

It is making a difference. Where five years ago the only sound heard on our city streets was the crash of empty bottles, today the streets of Newark, Camden and other cities are alive with the sounds of construction, of new buildings being built, new dreams being dreamed.

It will not be easy. It certainly will not happen overnight. But in the past four years we have laid the fragile groundwork of renewal for our cities. The road to recovery will be long and often frustrating, but it is one we must travel. As I said before, our dream of prosperity for New Jersey 2000 must be a dream that includes everyone; city dweller as well as suburbanite;

"New Jersey 2000 must be a dream that includes everyone; city dweller as well as suburbanite; rural resident as well as shore lover."

rural resident as well as shore lover.

New Jersey in 1986 is a much different place than the New Jersey of

1980.

Instead of a sagging economy with high unemployment, we have a dynamic economy setting records for new job creation. Instead of following our neighboring states with declining industries, we are national leaders in the growth areas of services and high technology. Instead of a tired and pessimistic attitude, we have a new pride, a can-do spirit that can be felt from the crowded city streets of Newark to the windy shore in Wildwood.

New Jersey is an economically dynamic state in 1986. You should take great pride in your role in promoting that dynamism.

Will it last? I think so. Today, I have outlined my plan for making it last. My plan for making New Jersey the nation's strongest state in the year 2000.

Like all dreams, mine is optimistic, but it is ground in hard realities. New Jersey has what it takes to lead the postindustrial economy. All it needs is a state government that cultivates a climate of individual opportunity, and that has the foresight to invest in those things that will determine our fate fifteen years down the line.

I think we have that kind of state government. I think New Jersey can be the nation's economic leader in the year 2000.



In many ways, environmental protection is like a giant puzzle. Sewage treatment plants, resource recovery facilities, and tough air pollution laws are all pieces of that puzzle. As long as other pieces remain missing, the puzzle is incomplete and we fall short of our goal of a clean New Jersey.

A year ago, I stood before you and proclaimed 1985 as the "Year of the Environment" in New Jersey.

I told you that our ability to deal with environmental issues was inextricably intertwined with the future of our state. I called upon you to join me in a comprehensive assault on the myriad problems that threaten the quality of life for our children and grandchildren.

I asked you to work with me to help fill in many of those pieces and you responded. Even in a state with a national reputation as a trailblazer in environmental protection, 1985 was a year of unprecedented accomplishment. Significant gains were made in guaranteeing clean water, in promoting long-term solutions to our garbage crisis, in preventing accidental releases of toxic chemicals into our air, and in protecting the Pinelands and other

natural resources. In 1985, in short, we made major investments in the quality of life for New Jersey 2000.

You deserve congratulations for your efforts. But, we cannot afford to pause in our drive to a clean environment. Problems like abandoned toxic waste dumps and polluted lakes and rivers did not occur overnight and they will not disappear overnight either. Their solution requires our sustained commitment, and years, even decades, of diligent action.

In the coming year, I ask you to work with me to fill in more pieces of the puzzle. I ask you to turn your attention to unfinished business on the environmental agenda.

In 1986, I ask you to build on the accomplishments of the Year of the Environment, so that by New Jersey 2,000 we can meet our goal of making our state the cleanest state in the country.

Undoubtedly our most important accomplishment in the year past was enactment and subsequent voter approval of the Environmental Trust Program.

The Environmental Trust was the product of three years of hard work,

three years of rigorous analysis and often difficult negotiation. The process was not always easy. But in the end, cooperation and concern for the future of this state won out over parochialism and partisan politics.

I thank the leadership of both parties for their support. I also thank the businessmen, labor leaders, and environmentalists who joined the Coalition For A Clean New Jersey. The cooperation of these disparate interests is the best proof I know of the commitment of all New Jerseyans to a clean environment.

"The Environmental Trust was well worth the effort. Out of that three years of hard work will come many, many years of clean water."

The Environmental Trust was well worth the effort. Out of that three years of hard work will come many, many years of clean water.

What does clean water mean to New Jersey?

Ask the thousands of beachgoers in Wildwood this summer, who couldn't



swim for a week because of the high levels of bacteria in the ocean.

And ask the mayors and town councils in 100 municipalities, from Cape May to Sussex County, and from Camden County to Hudson County, who face bans on new buildings because their treatment plants fall short of federal standards.

What does clean water mean? It means New Jersey's future.

With the \$190 million bond issue approved by the voters this fall, we will be able to commit a total of \$2.6 billion for work on 286 separate sewage treatment projects over the next fifteen years. By using the Environmental Trust's revolving loan system, we can dramatically reduce the overall cost of the needed improvements for our cash-starved towns and cities.

Most important, the Environmental Trust puts the money to work in our cities and towns now, so that they can work immediately to meet the federal and state environmental standards.

In the near future, I will forward to you technical legislation to smooth implementation of this landmark initiative. I hope that you quickly approve the

legislation.

The usefulness of the Environmental Trust extends beyond building sewage treatment facilities. The Trust will also provide a needed influx of funds to our counties as they attempt to forge long term solutions to our solid waste problem.

This Administration, since day one, has enforced the provisions of the Solid Waste Management Act. That law gives each county the responsibility for devising a plan to manage its solid waste flow. The simple fact is that we can't send our garbage away to other counties and forget about it. In the past, elected leaders ignored that fact, and unsafe landfills stayed open and became Superfund sites, while New Jersey became a dumpsite for other states' garbage.

That dangerous situation no longer exists. Enforcement of the Solid Waste Management Act has not been easy, or painless, but it is paying dividends. In the past four years, we have closed more than 100 unsafe landfills in this state. Because of our efforts, New Jersey is no longer a net recipient of waste from other states. And county governments are

now finally shouldering the burden of managing their garbage. Four years ago, only a few counties had complied with the Solid Waste Management Act. Today, only a few counties have not.

As counties have begun to follow the law, the amount of available landfill capacity has shrunk considerably. Today, more than 95 percent of our garbage is disposed at just 11 landfills, down from more than 400 a little more than a decade ago. The Department of Environmental Protection (DEP) estimates that, by the year 1991, we will have a six to seven million ton shortage in landfill capacity. The solution is obvious. We need to replace this dwindling landfill capacity with modern facilities to recycle and reuse our solid waste.

We recognized this reality last February, when I signed legislation to increase disposal charges and to impose a solid waste importation tax on counties that continue to dispose of garbage outside their borders. The importation tax penalizes counties that have ignored their responsibility to replace landfill capacity, and provides well deserved revenue for counties that must continue



to accept garbage from other places. The revenue raised from both these programs is being used to subsidize the cost of resource recovery facilities and to help run county solid waste programs.

Resource recovery is a fancy name for, simply, incinerators. These incinerators will burn a good deal of our garbage in an environmentally sound and safe way.

The Environmental Trust will further help us build these plants by providing money to help pay for some of the costs. With the approval of the voters of \$85 million in new bond money, the conversion of \$50 million in bonds previously approved, and \$33 million from the general revenue fund, we will be able to assist counties in making a total \$2.3 billion investment in resource recovery facilities. Four of these projects, costing about \$700 million, will begin construction in the coming year.

Building these plants is expensive. The Environmental Trust, combined with the money raised from disposal fees and the importation tax, helps take the pressure off local property taxes to pay for them.

Construction of adequate resource

recovery facilities is one major part of a long-term solution to the garbage crisis.

Recycling is also an important part of the solution. We must make every effort to recycle as much of our solid waste stream as is technologically feasible. Today, we recycle only 10 percent of our municipal waste stream. I believe that we can recycle as much as 25 percent of our waste stream within the next few years.

To reach that goal, we need legislation requiring recycling statewide. That legislation should be a high priority of this session.

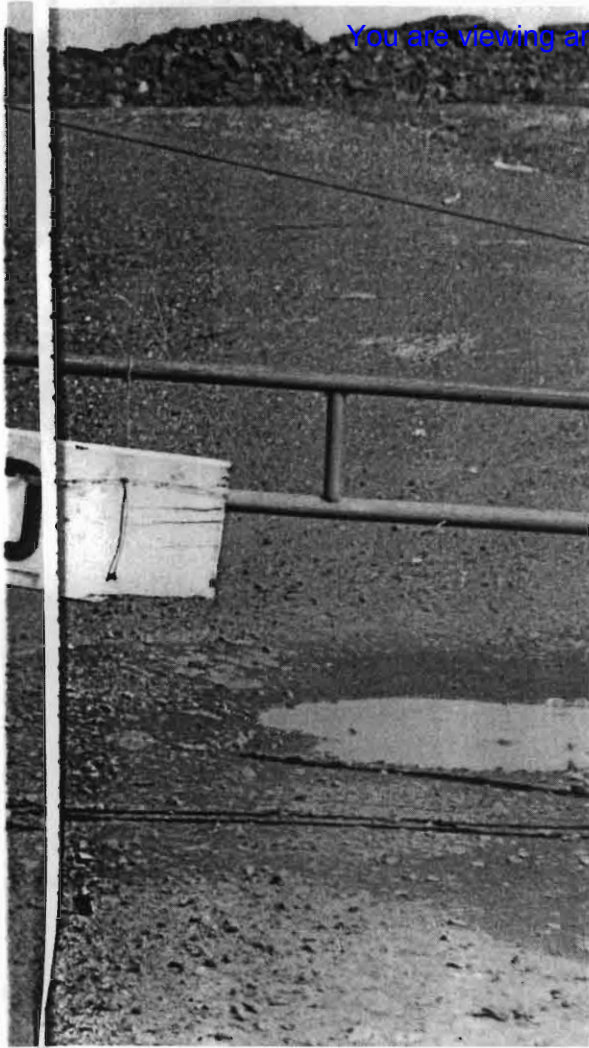
Already, 434 of our 567 municipalities have recycling programs in operation. One hundred and fifty nine of those are mandatory. There has been a 100 percent increase in both mandatory and voluntary recycling programs since 1982. The amount of garbage being recycled by our municipalities during that time has almost doubled, from 260,000 tons in 1982 to 470,000 tons in 1984. This month, the first county wide mandatory recycling plan in the nation begins in Camden. Camden County and many towns across the State should be

commended for recognizing that every pound of waste recycled is a pound of waste that doesn't need to be buried in a landfill or incinerated.

These local programs are working, but we must do more in this area. Mandatory recycling would expand and improve county and municipal efforts. The development of markets for recycled products here and abroad is integral to the success of a statewide recycling program. Recycling legislation must include tax breaks and other incentives for industry to make more use of recycled aluminum, glass, and paper.

Assemblyman Arthur Albohn has taken the lead on this important issue. In the coming session, I hope he will work with you to craft a compromise bill that reflects the concerns of all interested parties. The people of New Jersey agree with me. A poll taken last summer revealed that 93 percent of New Jerseyans believe recycling should be required. We should respond to this sentiment and enact workable recycling legislation in 1986.

The Environmental Trust Fund was an important step to take to protect our clean water. I am proud to say it was not



the only step we took last year.

Together, we produced other initiatives to protect the quality of the water found underground, in our lakes, in our streams, and the ocean.

In February, I signed legislation which allows towns to sign agreements with private contractors for the construction of wastewater treatment facilities. The towns get to use the contractors' private capital. In exchange, contractors receive tax breaks and other incentives. This "privatization" can now also be used for the building of water supply projects and resource recovery facilities.

Private industry, as well as local residents, benefits from clean and easily accessible water, and from safe garbage disposal practices. Towns and developers can work together in pursuit of mutually beneficial goals. I thank all of you for recognizing the value in sharing public management responsibilities with the private sector.

A major threat to drinking water in many communities is posed by old underground storage tanks leaking gasoline or chemicals into nearby water supplies. In this message last year, I

supported a project, the Leaking Underground Storage Tank program which would allow DEP to monitor these tanks, and force their owners to immediately replace tanks whenever a leak or corrosion is discovered.

I support legislation which establishes a system of registration for these storage tanks, and gives DEP the power to test for leaks or corrosion at any time. If leaks are found, the owner of the tanks must replace or repair the tanks. If contamination of groundwater has occurred, the owner of the tank must pay for the necessary corrective action. To reduce the burden of compliance, I support the establishment of a \$5 million revolving loan fund to help small and medium sized businesses with the cost of repair and replacement.

This is a sound response to a very real environmental problem. At the time this is written, Senator Raymond Lesniak and Assemblyman James Zangari have compromise legislation before you for consideration. If it was not passed by the past legislature, I hope you will act on this legislation quickly and send it to my desk for signature. The program will compliment our Safe

Drinking Water Act program, which is already the most ambitious and comprehensive in the country.

One half of all New Jerseyans depend on groundwater for their drinking supplies. It is imperative that we protect our aquifers. This year, the DEP petitioned the Federal Environmental Protection Agency (EPA) to have most of the state designated as a sole source aquifer under the federal Safe Water Drinking Act. This is the first time that a state has petitioned EPA for this kind of designation; an action that clearly reflects the priority we give to protection of our drinking water. In addition, in 1985 the Drinking Water Institute began to require the testing of all public water supplies in the state for volatile organics. Where contamination is identified, the state is assisting in providing treatment or alternate supplies.

In each of the past two messages, I have called for action to protect our most important natural resource: the Atlantic Ocean. Over 20 million tons of sewage sludge is dumped every year off our shore, fouling our waters and posing a threat to our fishing and tourist



industries. This past March, the EPA finally began to phase out the dumping of sewage sludge at the Sandy Hook site 12 miles off shore. By the end of 1987, all sludge will be barred from Sandy Hook, and instead will be dumped at a deeper site, 106 miles off the New Jersey/Delaware coast.

This fall, we won a major victory when Congress agreed to ban Massachusetts from using the new site for the disposal of their sludge material. I thank Congressmen Howard and Saxton for their successful work to stop Boston from getting rid of their sludge off our coast.

While the 106-mile site is far preferable to the shallow 12-mile site, our ultimate goal must be the eventual elimination of all ocean dumping of harmful wastes.

The ocean is man's mystery, our last earthly frontier. We must protect it, not use it as a trash can. The money from the Environmental Trust Fund will help our coastal communities repair their overburdened treatment facilities, many of which now allow sewage to simply mix with chlorine and then flow directly into the ocean. This is just one more

benefit of the landmark legislation you approved in the year past.

Not only the quality of the state's water, but the supply, became an issue last year, as New Jersey suffered through the biggest shortfall of rain in 55 years.

Thanks to recent improvements in our ability to manage water, and to the fantastic cooperation of the general public in adopting conservation measures, we were able to weather the drought of 1984-85 in much better shape than our neighbors.

The Phase I and Phase II restrictions imposed on the state allowed us to reduce our water use by 25 percent over the levels of use in 1984. These conservation measures, along with our successful efforts to manage stream passing flows and transfer water to needy areas, allowed me to lift a number of water use restrictions by the end of July, only two months after they were first implemented. I want to thank all New Jerseyans who cooperated with the drought restrictions. I am pleased to report that today, because of your efforts, plus a little help from Mother Nature, our reservoirs stand at 97 percent of capacity.

We continue on schedule with the State's Water Supply Master Plan, which you approved in 1981. All the interconnections required by the plan have been completed, and we broke ground in May on the Monksville Reservoir, which will be a major source of water for residents of northeastern New Jersey. Last month, I signed legislation appropriating \$72 million to build the Manasquan Reservoir, which will provide residents of Monmouth and Ocean counties with reliable supplies of drinking water. In addition to these two projects, the State Water Authority completed rehabilitation of a \$20 million project to improve the Delaware and Raritan Canal. To supplement these efforts, DEP is updating our geologic map system for the first time since 1910.

The vagaries of the weather are such that it is impossible to guarantee that a drought will never occur. With the implementation of the Water Supply Master Plan, we can make sure that minimum sacrifice will be required from New Jerseyans during any future droughts.

We made headlines with the Environmental Trust Fund and our



efforts to protect a safe and clean water supply. In any other state we would have made major headlines with our cleanup of toxic wastes. But in New Jersey we have been cleaning up toxic wastes for 10 years. In fact, New Jersey in 1985 continued, as it had for the past decade, to lead the nation in cleaning up abandoned hazardous waste sites.

In federal fiscal year 1985, over \$174 million was committed to toxic waste cleanup projects in New Jersey. This includes money from the New Jersey Spill Fund; the federal Superfund, as well as appropriations from state government. We began 43 feasibility projects and actual cleanup work was started at another 43 New Jersey Management Plan sites. Last year, I stood before you and said that action would be initiated at over two-thirds of our Superfund sites. I am pleased to report to you today that this has been accomplished.

These figures do not take into account cleanups conducted under our Environmental Cleanup Responsibility Act (ECRA). Under this law, the only one of its kind in the country, DEP must certify that a property is clean before it

can be transferred, closed, or sold. If contamination is found, the private parties must pay for the cleanup.

In fiscal year 1985, ECRA required more than 140 cleanups, costing about \$4.5 million. ECRA not only provides a clean bill of health to buyers of property, it saves the state millions of dollars in decontamination work and significantly reduces the long-term cost of our cleanup effort.

Our toxic waste cleanup record is far ahead of that compiled by any other state. As the *New York Times* noted this fall, our program is a model for all other states, and even for the federal government. It is a reflection of our commitment to our citizens' health that we have led the rest of the country in solving this vexing problem.

We cannot let that commitment ebb. Rather, we must intensify our efforts. Of all the challenges we face, the challenge of ridding our state of thousands of toxic waste sites is the most daunting. Our success in meeting that challenge will in a large part determine whether New Jersey is seen as a good place to live in the year 2000.

Our cleanup program is hampered

by a law which says that money from the Hazardous Waste Discharge Bond issue can only be used after all other sources of cleanup funds are exhausted. This provision sometimes prevents funds from being used as quickly as they are needed. This is unnecessary. I again call on you to pass legislation, sponsored by Senator Paul Contillo, which will give DEP the flexibility to use bond money whenever it is needed, without waiting for other funding sources to be exhausted.

As I speak to you, the shape of our future long-term cleanup effort is uncertain. We are forced to delay important policy decisions until Congress decides the fate of the federal Superfund program.

The Superfund legislation is now in a conference committee between the Senate and the House of Representatives. Final Congressional action is expected in the coming month. I cannot emphasize enough the importance of this program to New Jersey.

During the first four years of Superfund, our state alone received over \$60 million, more than 15 percent of the total funding delivered to all fifty states.



We led the way in putting the most sites on the Superfund National Priority List. And every penny of federal money we have received has freed state money for use at other sites or for other cleanup purposes.

I call on our Congressional delegation to continue the fight to ensure that Superfund is reauthorized at a level of funding of more than \$10 billion, with provisions that give individual states maximum leeway and efficiency in operating their own cleanup programs.

Our two Senators, Bradley and Lautenberg, and our congressional delegation have all played important roles in the contentious and long-running debate over the new program's size and scope. Their unflagging devotion to Superfund is appreciated by all of us. Their success in the coming month will make our work easier.

There are two issues in the Superfund debate with major implications for our cleanup program. The first is the question of who pays for the long-term maintenance and operation of Superfund sites. To fully

protect the public health, sites must often be monitored for decades after the original cleanup work is finished. In some instances, the cost of operation and maintenance is greater than the original cost of construction. Since operation and maintenance is an essential and expensive part of the cleanup effort, it is only appropriate that the majority of these expenses be covered by Superfund. If they are not, they will dramatically increase the amount of state money that must be spent on individual sites.

A second major issue involves our state's Spill Fund. As you know, the Spill Fund has operated in an atmosphere of uncertainty in the past few years, as its constitutionality has been challenged in the courts. Next month Congress must decide that the spill fund can continue. Cleaning up our abandoned toxic waste sites is a long and expensive effort. Federal funds alone are not enough to do the job. Our state must have the ability to raise money from chemical producers to help fund the cleanup effort.

Whether the Spill Fund is allowed to continue or not, we must face a simple

fact: even with a much larger Superfund, our current toxic waste funds are insufficient to accommodate the size and pace of cleanup action that is demanded by our constituents. We have to find a long-term source of stable funding for our cleanup program.

Once the Spill Fund question is settled, I will propose to you a fair and efficient method for long-term toxic waste funding. There should be no more important priority in this term than adoption of this proposal. We simply cannot allow our cleanup efforts to slow because of lack of money.

A thorough and complete cleanup effort will take more than a decade. We must use this opportunity to put in place a stable means of paying for the cleanup. This is not a problem that I want my successors in this office, or our children, to have to wrestle with. This is a problem I want us to solve.

New Jerseyans have received in the past, and they continue to deserve, a cleanup program that is as fast and as thorough as is technologically feasible. We must act this year to ensure that this will be true in the decade ahead.



When the Superfund program lapsed in the fall, cleanup efforts halted in many other states. Because of your cooperation in guaranteeing consistent sources of state funding, we have been able to keep our cleanup efforts on schedule. When Congress reauthorizes the program, the Federal government must reimburse us for the money we spent in anticipation of Superfund revenue.

Uncertainties about the shape of the next Superfund hamper our ability to plan for the future. Another threat to our cleanup program is the inability of engineers and environmental cleanup companies to acquire liability insurance. I will propose legislation that would limit the liability of a contractor who has been approved by the state to conduct a cleanup operation at a particular site. Some form of protection of these firms is essential if we are to prevent cleanup actions from coming to a complete standstill.

We have learned many lessons in dealing with the cleanup of toxic wastes. But one lesson stands above all: toxic waste is not an export product.

If we are to prevent the creation of more dangerous dumps in the future, and if we want to put some limit on the total cost of our cleanup effort, then we must find a safe resting place within our borders for the tons of toxic waste we continue to produce every day. There is no getting around this central fact.

That is why the work of the Hazardous Waste Siting Commission is so important. Next month, the Commission will publicly announce the candidate sites for the placement of waste treatment and disposal facilities. I ask for your continued and consistent support as the Commission enters this most difficult phase of its existence.

Under the leadership of former Senator Pat Dodd, the Commission has been doing yeomen's work. It has conducted a professional and objective analysis, using reams of scientific data and the most sophisticated environmental map ever developed. For four years, the Commission has done everything it could to involve the public in its deliberations. There will be time for continued public participation after the candidate sites are announced.

A clean New Jersey depends on our ability to find safe places to store and treat toxic waste. This is an emotional issue. No one wants a facility in his or her backyard. As elected leaders we have a responsibility to educate the public and to reduce fears when they are unreasonable and not based on scientific evidence. I hope I can count on all of you to uphold that responsibility in the coming months.

Last year, scientists and engineers in Pennsylvania first discovered the existence of high levels of radon along the "Reading Prong," a geological formation stretching from Pennsylvania through New Jersey, New York and Connecticut. Radon is an invisible, odorless gas that is emitted by decaying uranium in the ground. Exposure to it may be dangerous. In places where high levels of radon do exist, we need to take steps to reduce New Jerseyans' exposure.

Last session, I signed legislation which takes the first sensible step in dealing with the radon problem. The legislation authorizes an 18-month, \$3.2 million radon control program to be



undertaken by DEP and the Department of Health, which will include a study of the geology, population, housing construction and geography of the affected area of our state. It is estimated that between 250,000 and 1.6 million homes could possibly be affected.

I applaud Assemblyman Richard Zimmer and Senator John Dorsey for sponsoring this legislation. While extremely high levels of exposure to radon can be dangerous, the methods for reducing exposure levels and protecting health are relatively inexpensive. What we need is solid information. The Zimmer/Dorsey legislation will give us that information. It is a prudent and reasonable response.

When a substance such as radon is discovered, the public immediately wants and deserves answers about the danger involved. Unfortunately, because of the limits of science and the complex nature of the problems, definitive answers are rarely forthcoming.

We have not had this ability before, but I am asking DEP to create an Environmental Health Assessment Program. The new program will greatly

expand the continuing efforts to assess environmental risks. It will combine the skills of toxicologists, epidemiologists, chemists, statisticians, environmental engineers, and mathematicians. To assure that the technical work is the highest quality, an Environmental Health Assessment panel, composed of national experts, will evaluate the program's recommendations.

To complement this effort, DEP will work with the Environmental Health Library and Information Center at Rutgers to make this information available to the general public. In this area, as in so many others, New Jersey should take the lead.

Radon and toxics in the ground pose a long-term threat to the health of New Jerseyans. A more immediate threat is posed by the accidental release into the air of dangerous chemicals by a manufacturer.

New Jersey has a high density of chemical plants, including many small and aging ones. The danger of an accidental leak is real. Last October for example, a release of hydrogen sulfide from a refinery in Linden sent fumes into the air for almost a hundred miles. The

DEP says 20 accidental chemical releases occur each month, of which five require evacuation of surrounding neighborhoods.

The time to be cognizant of the danger posed by these accidents is before they occur, not after. Our citizens cannot wait until a disaster is over for us to act. We have a responsibility to work with private industry on preventative measures that ensure that New Jersey will not become the background for a calamity.

This month, we took a significant step toward meeting that responsibility with enactment of the Toxic Waste Catastrophe Prevention Act.

Under the new law, DEP will review plant operations in facilities handling acutely hazardous chemicals, including methyl isocyanate and phosgene, the poisonous "mustard gas" widely used in World War I. The DEP will focus their analyses on the equipment used in the manufacturing process, the training of the employees who handle the toxic substances, and the procedures for responding to an emergency.

Should the plant be found faulty, DEP now has the authority to require the



owner to install new safeguards and to institute procedures which can better protect against accidental releases.

This law makes state government a partner with private industry in preventing any accidental releases.

I thank you for passing this legislation. It is the only law of its kind in the country. I also want to thank the representatives of the business community, who realize that protecting the safety of New Jerseyans is not only good environmental policy, it is good responsible business.

Government will work with industry to prevent the release of the most dangerous chemicals although there are natural limits to our ability to constantly monitor industry behavior. The primary responsibility still lies with industry to prevent all accidental releases. But, state government can encourage responsible behavior by putting in place stiff penalties for firms that allow chemicals to escape into the air.

Last year, I signed amendments to the Air Pollution Control Act to dramatically increase the deterrent affect of our air pollution laws. The amendments contain the first increase in

penalties for air pollution since 1967. In the interim, inflation had severely diluted the incentive of the penalties and their cost to industry. The new penalties let industry know that those who shirk their responsibility will pay for it.

While accidental releases pose an enormous threat to human health, a more subtle, but no less serious, threat is posed every day by the routine release of

"Protecting the safety of New Jerseyans is not only good environmental policy, it is good responsible business."

toxic chemicals into the air. The numbers are startling. DEP estimates that 10 thousand tons of air toxics are released in New Jersey every year. These chemicals, once released into the atmosphere, expose our residents to unacceptable long-term risks of disease.

I have directed DEP to expand their efforts to control these emissions. It should be emphasized that a thorough, comprehensive program will be expensive and must be sustained over many years to be truly effective. I believe

it to be, however, the final piece in the part of the environmental puzzle that can guarantee our children and grandchildren, clean, fresh air to breathe.

New Jersey made substantial progress towards clean air last year. But, Congress and the EPA again failed to devise a program to reduce acid rain. While the federal government dawdles, sulfur and nitrogen emissions continue to threaten our lakes and streams. I remain convinced that if we wait for more scientific evidence before acting, we will simply have the best documented environmental disaster in history.

Congressman Rinaldo has introduced legislation which will reduce sulfur emissions by more than 10 million tons over the next decade. I renew my call to our Congressional delegation to approve acid rain legislation.

New Jersey voters again showed their commitment to preservation of our open land and natural resources in 1985, with overwhelming approval of the \$30 million bond issue for Pinelands Development.

Senator William Gormley and



Assemblyman Anthony Marsella were the sponsors of this legislation, which will provide grants and loans to municipalities within the Pinelands to use for construction of wastewater treatment systems and other necessary infrastructure projects.

We all agree that the Pinelands is a natural treasure, one which must be preserved in its pristine state for the benefit of future New Jerseyans. In the past, we have approved strict regulations to guard against untrammelled development of the area. By approving the Pinelands Bond Issue, you made sure that all New Jerseyans will assist in the preservation of the Pinelands, by sharing the economic burden which falls upon the few communities that receive the channeled growth in the region.

We took steps to alleviate the plight of farmers and landowners within the Pinelands area last year when you passed legislation creating the Pinelands Credit Bank. This allows residents to sell the rights to their land to the state, which will then sell the rights to developers, who can exchange them for development rights within zoned areas. The Bank is an innovative approach to the protection of one of the most valuable pieces of wilderness in this

country.

The Pinelands was not the only piece of open land in New Jersey to receive protection in 1985. Under the innovative Green Trust program, which you approved in 1983, more than \$20 million in loans and \$20 million in grants went to local governments last year for the purchase and protection of open land. With another \$16.5 million in state projects, the Green Trust funded 242 separate projects in 1985. In the past two years, the Green Trust has added 11,600 acres to New Jersey's open space.

We also continue to make great strides in protecting our rare and vanishing species of plants and animals. Through the Office of Natural Lands Management, we have added over 18,000 acres to the registry of natural areas, including more than 13,000 in the Pinelands. Our endangered species program continues to be one of the nation's best. In the late 1950's, there wasn't one peregrine falcon east of the Mississippi. Today, New Jersey has more peregrine falcons than all other states east of the Mississippi combined. Our bald eagle population, too, is on the way up for the first time in many years.

The strong winds of Hurricane Gloria last fall reminded all of us of the

need to find a stable source of funding for shore protection.

I know that this issue occupied a lot of time, and much effort was expended in the past legislative session. I am grateful to Assemblyman Anthony Villane and the rest of you who worked so hard to find a piece of legislation that disparate interests could agree on. Unfortunately, the final compromise was not approved.

That failure should not diminish your motivation to reach agreement in the coming session. While over \$20 million is still available from the Shore Protection Bond Act, construction and other needs will likely exhaust those revenues within the next two years.

There is no painless or cost-free solution to this problem. It is going to take money, and that money must come from somewhere. General revenues are not a reliable source of funding. I call on you to again dedicate yourselves to finding a workable compromise on this sensitive issue.

New Jersey is blessed with 128 miles of a magnificent shoreline. But the shore's future, and the future of our tourism industry, can only be protected by a stable and permanent shore protection program. I supported the compromise reached during the last



session. I will support any other reasonable approach to a long range solution to this problem.

New Jersey's wetlands are another natural resource in this state which deserve increased protection. Wetlands serve many valuable purposes. They protect drinking water supplies from contamination, they serve as a buffer against flooding and storm damage, they slow soil erosion, and provide a home for many of our state's most precious fish and wildlife.

Unfortunately, more than 200,000 acres of our total of 600,000 acres of wetlands are currently unprotected by either federal or state law. In my address last year, I asked for legislation to protect these valuable resources from haphazard or unplanned development. The Freshwater Wetlands Act, sponsored by Assemblywoman Maureen Ogden and Senator John Lynch, is a response to that call. It provides for a sensible and streamlined system under which DEP can preserve our wetlands area. I call on you to make passage of this bill one of your immediate priorities in the upcoming session.

In area after area of environmental protection, from toxic waste cleanup to protecting open lands, New Jersey leads

the way for all other states with original and ambitious programs. In 1985, we added to that record of leadership, with a program to prevent the accidental release of toxic chemicals into the air, with the first comprehensive radon

"In area after area of environmental protection, from toxic waste cleanup to protecting open lands, New Jersey leads the way for all other states with original and ambitious programs."

study at either the state or federal level, and with our unique Environmental Trust Fund.

This record of leadership is proof of many things. It is proof of the priority that all New Jerseyans give to environmental protection. It is proof of our ability to respond to our constituents' needs. And it is proof of the effectiveness of our departing Commissioner of the Department of Environmental Protection, Robert Hughey.

Under Commissioner Hughey's leadership, the DEP has become known for its professionalism and for its nonpartisan commitment to a clean New Jersey. While other states ignore toxic

waste cleanups and air pollution, Commissioner Hughey has tackled these issues head on. His presence will be sorely missed in state government. All of us owe him a debt of gratitude for his four years of work in pursuit of our goal of a clean New Jersey.

The visitor to New Jersey in the year 2000 should see many things, a strong economy, revitalized cities, and children learning in our schools. One thing that visitor should not see is abandoned toxic waste dumps, poisoned air, or an ocean in which people swim at their own risk.

What that visitor should see is a New Jersey with an abundance of open lands and parks to enjoy, with plenty of fresh air to breathe and with clean water in which to swim and to drink.

Last year, in the Year of the Environment, we showed that we are willing to make positive investments for those precious resources. In 1986, let us rededicate ourselves to that task. Let us work to fill even more pieces in the puzzle of a clean New Jersey.



Any plan for New Jersey 2000 must have at its center programs to improve our schools.

Seldom in our history has a Governor appeared before a legislature to address a single topic. But on September 6, 1983, I called you together to warn of a single issue so urgent that to ignore it would imperil our future. That issue was education.

When I spoke, we had yet to see the spate of national reports condemning our schools for being awash in a tide of mediocrity. At the time we met more than two years ago, we seemed comfortable with the status quo.

And yet, on that September day I said that the status quo was not enough. I said that the weaknesses in our schools were threatening the future of our economy, and, more importantly, clouding the horizon for our children and grandchildren.

I said that our schools were graduating too many people who lacked even the basic skills necessary to hold a job and survive in this complex world.

To respond to these weaknesses, to brighten the future for our children, I outlined an ambitious program – a blueprint, as I called it, for reform of our schools.

The problems confronting our state's schools fell into three major areas. They were concerns about the teaching profession, about the expectations for students' performance and about the effectiveness of educational leadership.

The "blueprint" contained no universal cures, no "quick fixes." Rather, it contained realistic proposals devised after careful study, deliberation, and consultation with educators, parents, business leaders and concerned citizens.

Each of these proposals was directed at a specific problem afflicting our schools. I believe strongly in these programs. I will be held accountable for the results.

Since I presented the blueprint, education reform in New Jersey has moved from concept to reality. We have created a unique design for

educational excellence, a design which has made us among the first to answer the nationwide call for reform. Other states now turn to New Jersey for information and inspiration.

"We have created a unique design for educational excellence, a design which has made us among the first to answer the nationwide call for reform."

The quality of education provided by our schools is beginning to improve. After a decade of decline, our student scores on college entrance exams have begun to rise. Last year, average SAT scores jumped 13 percentage points, dwarfing the improvement that was registered nationwide. I want to thank everyone, school officials, teachers, parents and students who have worked so hard to make this improvement possible.

Our students' performance on the basic skills test continues to improve.



I am confident that scores on the new, more rigorous test will climb also.

We have made a good start in our quest for renewal of our schools. In the coming year, I ask you to continue to work with me on our design for educational excellence. As we work together, we should keep in mind that while devising new programs is difficult, putting these programs into effect also requires tough choices and enduring commitment. In the coming year, Commissioner Cooperman and others will work to make sure many of the recent reforms we have approved

work, not just on the drawing board in Trenton, but out in the schools, where it really counts.

A renewal of education must begin in the classroom, with the teacher. Teachers simply have to be at the center of our education renaissance, in this state and across the nation.

I feel this way not only for proven policy reasons, but for more subjective, personal reasons as well. I was a teacher, and for seven years I worked with disadvantaged children.

I saw firsthand the connection between education and a child's future. I saw too many young people denied the opportunity that their abilities would have otherwise given them.

I believe in teachers. I also agree with my former teacher at Columbia University, Jacques Barzun, who has said, "teaching is not a lost art, but regard for it is a lost tradition."

I want to change that. I want to restore teaching to its rightful place among the most respected professions.

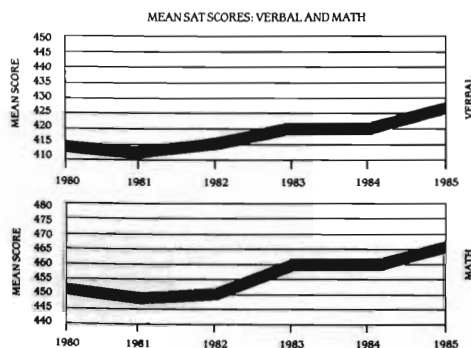
That is why I chair a Task Force

of the National Governor's Association dedicated to improving the teaching profession. My concern for teachers led me in 1985 to accept the Chair of the Education Commission of the States (ECS).

I am using ECS as a forum to listen to what teachers have to say about ways to improve their own profession. Last month, I held the first of a national series of informal talks with teachers, here in New Jersey. I heard that good teachers want to be recognized and rewarded for their work. I heard that teachers want to become more involved in the entire process of education. I heard that teachers need more opportunities for professional growth and achievement.

Teachers hold the key to our educational future. We must do all we can to add new vigor and life to the profession.

In New Jersey, we face an immediate problem. Almost one-half of our current teachers may leave the profession, most through retirement, during the next ten years. Who will





take their places? The answer depends on our ability to make teaching a more attractive profession.

In pursuit of that goal, we must

"Teachers hold the key to our educational future. We must do all we can to add new vigor and life to the profession."

consider all aspects of teaching, including salary, training and certification, and other incentives to encourage able people to enter and stay in the classroom.

To attract talented people, we must be willing to pay teachers a professional salary. For too long, we have refused to pay teachers what they are worth. The result is that many talented college graduates ignore teaching as a career.

In 1985, you took the major step in correcting this long standing problem, with passage of legislation to guarantee all new teachers a minimum starting salary of \$18,500. Before

your action, the average starting salary for teachers in New Jersey was \$14,500. In some districts, starting salaries were as low as \$11,000. I thank Senator Matthew Feldman, Assemblyman Joseph Doria, Assemblyman John Rocco and the many others who worked for this landmark legislation.

With the minimum salary legislation, we sent a signal to the nation: New Jersey respects and rewards the contributions of teachers. The new law gives us an advantage over most other states in recruiting the best candidates to the profession. I predict that others will soon follow our enlightened lead. Now we must look at salaries for our more experienced teachers. I believe a greater percentage of our education dollars must go to where it does the most good: to the teachers in the classroom.

Raising salaries alone is not enough to guarantee excellence in the profession. We also must take steps to ensure that those who enter the

profession are qualified to teach in our state's classrooms.

1985 was a watershed year in that regard, as we took four major steps to strengthen the process of certifying teachers, and to expand the pool of talent from which we choose our teachers.

The State Board of Education adopted amendments to the state Standards for Teacher Education Code that significantly strengthened undergraduate teacher education programs.

Over the past two decades, the curriculum in many teachers college had become so lax that students could graduate without a sufficient background in either their major or in the liberal arts. The new requirements guarantee that any graduate of a teachers college has a solid background in both these areas. Degree candidates now must master essential skills, acquire a healthy liberal arts background, and receive thorough education in their chosen subject major. These changes



will result in the training of more qualified teachers who are also more knowledgeable of the subjects they teach.

As an added guarantee of teacher qualifications, the Department of Education toughened the examination that a candidate must pass to become a teacher. Since last September, all teacher candidates must pass competency tests in the subjects they want to teach in order to be certified.

National Teacher Examinations (NTE) in both general and subject knowledge were administered by the Department of Education seven times between March and September 1985, to more than 3,000 prospective teachers. In November, the results of this first year of teacher testing were presented to the State Board of Education. The State Board decided to raise the NTE cutoff scores for 1986. With the new, higher standards, our required scores are now higher than the national median scores in 13 of the 17 test categories.

In addition to increasing

curriculum requirements and strengthening the teacher test, the Department was able to virtually eliminate the often abused process of emergency certification of teachers.

Under emergency certification, school districts facing teacher shortages were allowed to hire anyone to teach. The candidates did not have to possess any degree, they did not have to take education courses, and they did not have to pass a test of either their subject matter knowledge or their teaching ability. Emergency certification allowed rank amateurs into the classroom.

These three reforms give us more confidence that only high quality teachers are entering our classrooms. By raising standards and qualifications, we narrow the existing pool of available teachers. What can we do to expand the pool, and to attract more talented and qualified people to the profession?

New Jersey's answer is the alternate route to teacher certification, the only one of its kind in the country.

The alternate certification program takes advantage of a heretofore untapped resource, the thousands of talented professionals in local communities, who can infuse our classrooms with renewed vigor and excitement.

Under the program, any person may apply to teach in local school systems. But standards for entering and remaining in the course are exacting. To even be considered for the program, prospective teachers must hold a college degree in a specific major, and pass the National Teacher Examination test, of both general and specific subject knowledge.

If they meet these requirements, the local school districts may then interview the candidates for possible teaching positions. The interviews are important. They allow the local districts to measure whether the candidate has what it takes to be successful in the classroom.

If the answer is yes, then the alternate route candidates must undergo a rigorous one year program



of education essentials – the same essentials now required by our new curriculum standards in teachers colleges. Eighty hours of instruction occurs before the teacher enters the classroom. The remaining 120 hours takes place after the individual has begun to teach a class. In addition, the first year of teaching is closely supervised by a group of administrators, other teachers, and in some instances, college professors. These people provide day to day counsel to the new teacher.

Those requirements are demanding. In effect, they are the same requirements we now demand of teachers who take the more traditional route to the classroom. But the requirements ensure that only those who are seriously devoted to knowledge and teaching will apply. This allows us to open the doors of our classrooms to new teaching talent with confidence.

To help defray significant costs involved in training, the Geraldine R. Dodge Foundation has begun offering

fifteen \$5,000 scholarships that can be used for the required training and to subsequently finance any continuing education in the teacher's subject area.

The alternate route program works. Last year, over 1,000 New Jerseyans applied to the program. By September, 121 alternate route candidates had been hired by local school districts. Results from the National Teacher Examination show that alternate route teachers scored higher than traditional teaching program graduates in every subject. As an added plus, more than 71 percent of those hired have previous teaching experience.

I believe that the alternate certification program can help bring new experience and fresh approaches to our classrooms. I hope that more local school districts will take advantage of it in the coming year.

Higher salaries for starting teachers and reform of certification are major steps in guaranteeing that talented people are in our classrooms.

These efforts can be enhanced by scholarship programs that encourage outstanding college students to consider teaching as a rewarding and financially attractive career alternative.

This year, we will offer for the first time a series of Governor's Teaching Scholarships. The scholarships will be available to all New Jersey high school seniors who rank in the top fifth of their class, who attain a combined score of 1,100 on their SAT's, and receive recommendations from their high school principals or teachers.

Under the program, students can receive loans of up to \$7,500 a year to help pay for their college education. These loans can eventually be forgiven, in return for teaching a specified number of years in a New Jersey school system. Next month, the Department of Education will select the first 100 nominees under this exciting and innovative program.

In our efforts to recruit new teachers, we must pay special attention to the need for more teachers who are minorities. Many minority



high school students will qualify for our Governor's Teachers Scholarships. A few minority students with potential will fall short of the rigorous standards. For these students, we will offer a special program.

Beginning next summer, the Department of Education will select one New Jersey college to pilot a new program that will identify 25 minority high school juniors and assist them in meeting the academic requirements necessary for college admission. Students will be recommended for the program by their high schools based on interest and chance of admittance to the pilot college.

Students in the program will be offered loans of up to \$7,500 per year toward their college education. The state will forgive these loans for students who, upon graduating, teach in New Jersey public schools for a specified number of years. The Department of Education, working with the Department of Higher Education, plans to admit 10 minority college juniors into the program during

the first year as well. If the program proves successful, we plan to expand it.

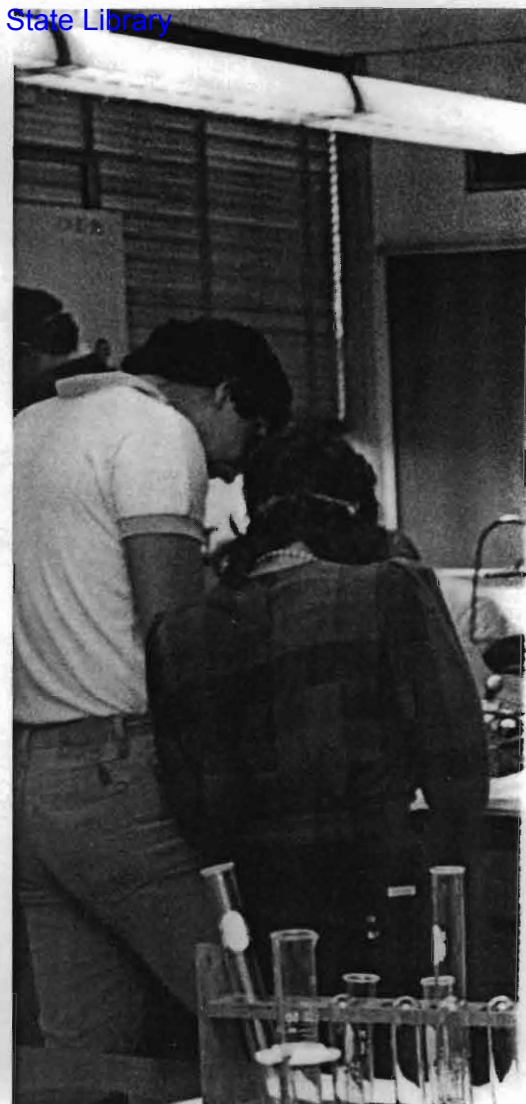
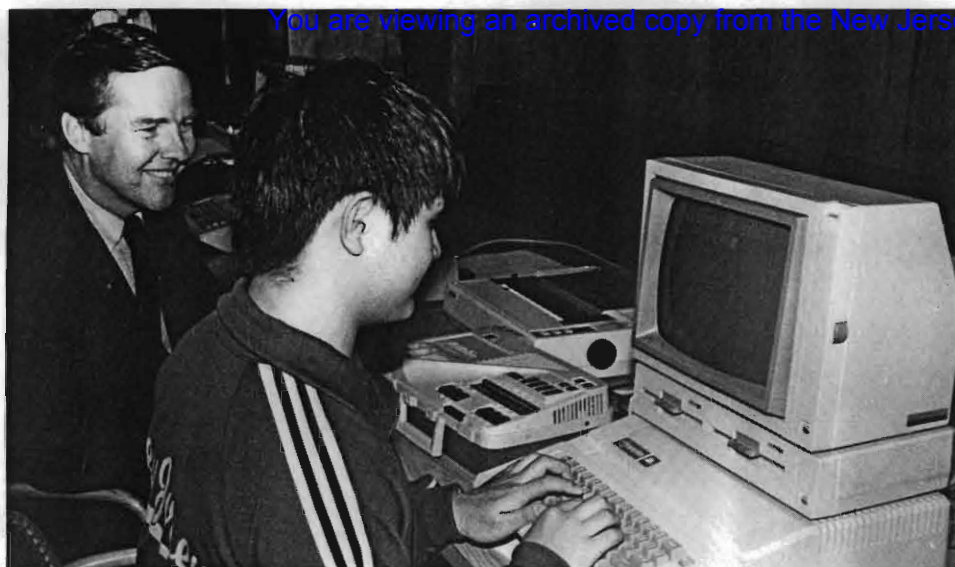
In the past year, New Jersey has attracted national attention for efforts to revitalize the profession of teaching. We have improved teacher's salaries, toughened entry requirements, all but eliminated emergency certificates and begun a series of recruitment and training efforts to attract a pool of able and motivated new teachers.

As I told a group of national education leaders last month, we are now in the business of actively recruiting teachers. At the same time, we are working to keep the good ones we have. Our efforts have come none too soon. This is the first year where the supply and demand for teachers across the country will be in balance. For several years ahead, the demand will far outstrip the supply. We simply have to make the teaching profession more attractive if our schools are going to get and keep their fair share of the nation's talent.

New Jersey has done more than anyone else. I commend

Commissioner Cooperman and all who have worked with him. New Jersey is now poised to lead in what I predict will be the second phase of a national effort to renew the teaching profession. The elements of that second phase are just emerging now in a series of national studies. I serve on three of them: the National Governor's Association's Task Force on Teacher Recruitment, the Education Commission of the States, and the Carnegie Forum's Task Force on Teaching as a Profession.

As I talk to education leaders, both here and throughout the country, I become convinced that we are close to a fundamental rethinking of the way teaching works in America. We are ready to build on the tough standards we have created in the past three years. With an expanded pool of talented teachers, we can explore ways to empower teachers to do their job better. We can get teachers more involved in professional decisions within the school. We can help teachers better share their talents and



knowledge with their colleagues.

Today, I do not have specific legislation to announce concerning this "second wave" of teaching reform. But I can promise you that as the year develops, and as a consensus emerges on what further steps we must take to renew the profession, New Jersey will be among the leaders. We are committed to teachers in New Jersey. We recognize that they hold the key to the success of all our plans for our schools.

Revitalizing the teaching profession must be at the center of our education reform movement. But to focus on teachers alone is not enough. In order to obtain excellence, we must raise expectations for everyone in education, including our students.

In the coming year, we will put in place a new and more rigorous academic standard for graduation from high school: the High School Proficiency Test (HSPT).

The HSPT, a ninth grade test, measures the skills students need to interpret what they read, to

solve math problems and to write coherently. It is much more difficult than the test it is replacing. You and I know that initially many 9th graders will not reach the required score. You have supported higher standards in the past, I ask for your continued support as we enter the first year of this new and more difficult basic skills test.

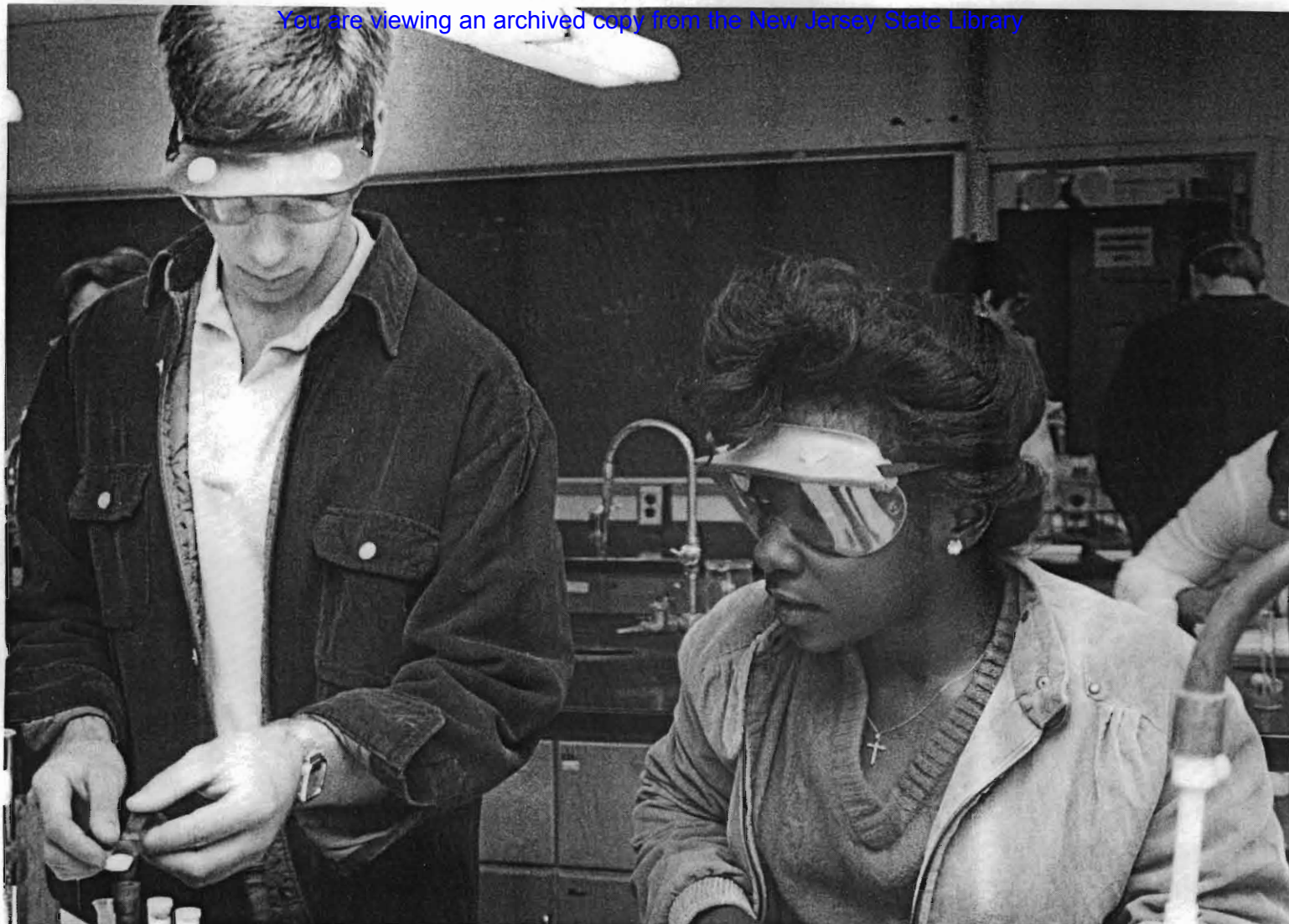
Many educators have asked me to delay the high school graduation standards. I cannot agree with them. To delay the test would be to participate in a cruel trick. What does it signify when this state allows a child to graduate from high school who cannot read, cannot hold a job, and, frankly, cannot take his rightful place in our public life?

I know that the new test will be extremely difficult for students in some districts, especially some urban districts. But I simply have to side with the children, not with those who say they cannot make it. It is our responsibility to see that these students are taught the basic

skills they need for life, now.

I am especially concerned about minority youngsters in the group who are at risk. By the year 2000, a third of all Americans will be minority members. All Americans have an economic stake in the education of these children. In the old days, when there were many young people, it was possible for some to overlook the dropouts. But as I told a U.S. Senate Committee last year, that time is now past. Those of us who are not motivated by concerns for individual justice will now be motivated by economic necessity. For our economy to grow, we must have the talents of every young person.

It is time to say forthrightly and publicly that the facts are discouraging. Demographers predict more children entering schools from poverty households, more from single parent homes, a continuing drop in minority college placement, continuing high dropouts for minority children, more teenage pregnancies, and more premature births with attendant



learning problems.

These are complex problems that go far beyond our schools. But this state has the capacity, and a responsibility, to address them. At the moment, the most visible tool we have to focus attention on this problem is the graduation test, and I intend to use it. But I am calling upon all of you, and, indeed, all New Jersey leaders, to begin a sustained and thoughtful effort to guarantee that all our children, in the cities and the suburbs, can attain the quality education they deserve.

The state must lead the effort.

As many of you know, in most states, state government has only two roles to play in education: setting standards and monitoring local performance. In New Jersey, because expectations are so high, we go two steps further. We assist local school districts with specific programs to improve their quality of instruction. Beyond that, we provide money that can be used for general remediation and basic skills.

Through an array of programs, we are working to prepare local districts

for the new basic skills test. We are reaching out to districts, providing them with methods and materials that will work in the classroom. We are conducting pilot programs and demonstration projects. We are providing training to teachers and administrators on a scale never before attempted.

Excluding staff time and salary costs, we are investing \$13 million in our efforts to help students get ready for the new graduation test. The largest portion of this spending goes to our urban schools, where performance on the new test is expected to be lowest.

Operation School Renewal is the concentrated component of the comprehensive, long-term collaborative effort between the state and local school districts to renew the quality of urban education in our state.

The program is in its first year. The state is working with three urban districts — Trenton, East Orange, and Neptune Township — to implement three-year school renewal plans.

The plans focus on increasing attendance, improving the effectiveness of principals, reducing disruptive behavior, raising the scores of students in math, reading and writing and increasing the employment of our youth.

In addition to Operation School Renewal, we continue to work on a broader initiative to provide programs and support services to help the state's 56 urban districts address 10 objectives identified as critical to improving urban education. The program was first implemented in February of last year. Since that time, 35 urban districts have volunteered to work with the Department in such areas as: improving math, reading and writing; developing model programs to help with dropouts; improving bilingual instruction through training institutes; and developing projects to address the problems of disruptive youth, substance abuse and youth unemployment.

Our efforts at improving our schools in all areas are enhanced by



the Effective Schools Demonstration grant program, which began in September of last year. Under the program, we will award 15 to 20 schools a total of \$500,000 in fiscal year 1986 to help improve basic skills programs. Applicants for the grants must have developed a three-year student improvement plan and demonstrated that they have the appropriate financial and ancillary resources necessary to use the grants effectively.

The urban initiatives and the Effective School Program give our schools the tools to find solutions to a variety of problems that harm the classroom environment. The Department also helps in this regard through programs to reduce student disruption and unruly behavior, and through projects to encourage competency in the English language for our many students from a foreign background.

Apart from these programs, many of which help directly in the preparation for HSPT, we are spending

more money than ever before on remediation and basic skills. Before 1982, the Department of Education spent just under \$60 million on compensatory education. In this school year, we will spend \$105 million, an increase of 75 percent.

It is worth noting that only eighteen other states provide funding for compensatory education. Of these eighteen states, New Jersey ranks first in the percentage of children that are helped with the money, and fourth in the amount of dollars spent on each child.

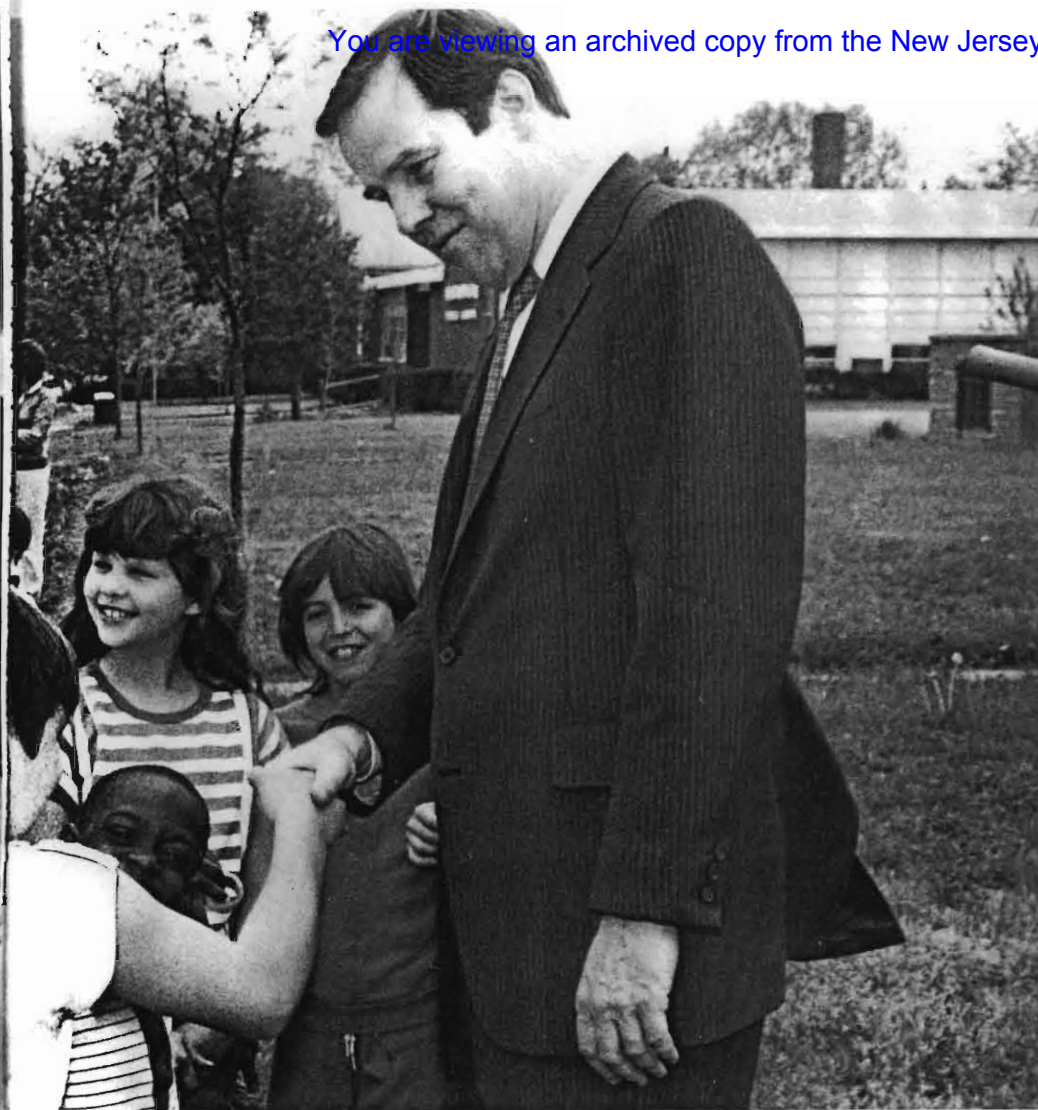
Compensatory education and our various urban initiatives have the same objective: to improve our students basic skills. Improving those skills is the only way to guarantee that our children will be prepared for the world that awaits them. We simply must not relax our standards, so that failure to acquire basic skills can be conveniently ignored.

While compensatory education helps our poor students, we also must meet the needs of our gifted children. I

am particularly proud of the New Jersey Governor's School Program. Every summer, talented high school juniors spend a month of concentrated study at one of three schools in science, public policy and the arts. These schools provide an outlet for the curiosity and intelligence of our brightest high school students. They allow students from disparate backgrounds to learn and live together. In just three years, the Governor's Schools have made a difference in the lives of hundreds of our high school students. The program deserves your continued support.

Improving basic skills and renewing the teaching profession are two of the three major parts of my blueprint for education reform. The third, and just as important part, is to provide creative incentives that recognize the efforts of educators and open new avenues for professional growth and renewal.

Like any other professionals, educators want the opportunity for growth, reward and advancement.



Unfortunately, in the past these things have been denied them.

To encourage innovation and creative thinking, we have initiated the Governor's Teacher Grant program, which provides grants of up to \$15,000 to individual teachers or groups of teachers to develop and implement effective classroom practices. Through this program, successful teaching practices can be shared with other teachers throughout the state.

Last January, the doors were opened at the Academy for the Advancement of Teaching and Management in Edison. The Academy provides teams of teachers and administrators from across the state with expert instruction in new programs that are working in other school districts. By this June, the Academy will have trained approximately 1,650 educators. In July 1985, new courses were added to the curriculum, and in January of last year the Academy began its first program in instruction of administrative school management skills.

Because of legislation you passed last fall, we are now able to offer annual awards of \$1,000 to outstanding teachers in our local school districts. This money can be spent on projects, chosen by the teacher, to improve their home schools. I have always maintained that teaching is the one profession in which excellence is not rewarded with one single penny. This must change. Through the teacher recognition program, we can begin to reward our many outstanding professionals. I am grateful to Assemblyman John Rocco and Assemblyman Joseph Palaia for their leadership in pushing this proposal. I predict that it will become a model for other states to follow.

We plan to hold an annual symposium at which 100 outstanding teachers can meet and share ideas and innovations about education. The symposium will take place next summer and will involve nationally known educators from across the country. The symposium will give our best teachers an opportunity to meet

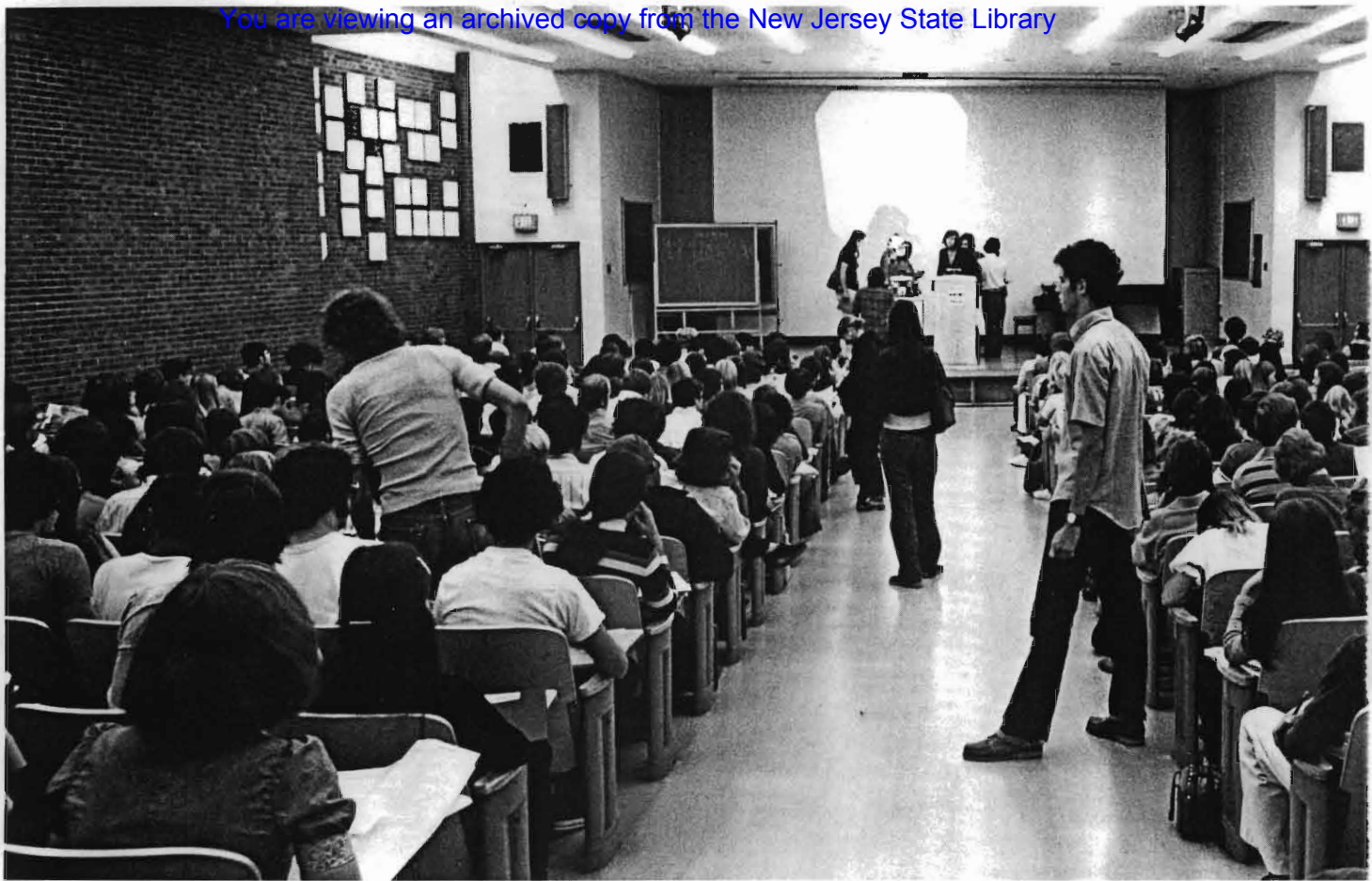
the leaders in education reform, to share their own ideas for classroom improvement, and to learn what others are doing that is working.

These diverse initiatives have the same goal: to increase the prestige and respect associated with the education profession, and to provide more creative outlets and recognition for the thousands of talented professionals who teach and run our schools.

With your support for the past two years, we have put in place a unique and comprehensive blueprint for education reform. Our minimum salary legislation, our alternate route to certification, and our teacher training academy are just three examples of programs that make New Jersey a leader in education reform for the entire country.

Your past support is much appreciated. In the coming year, I ask for your continued support for three other initiatives that are needed if we are to continue to work towards excellence in all our schools.

My first proposal concerns our



state's basic skills improvement programs, which have increased in importance with our adoption of the stricter HSPT test.

As I mentioned earlier, our record of providing support for basic skills improvement is one of which we should be proud. We stand in the top five of all states in both the number of children we reach with state money, and in the amount of state money we spend on each child.

Unfortunately, as local basic skills improvement programs are currently structured, there is a built-in financial factor that is counterproductive. In fact, this financial factor can work as a disincentive to basic skills improvement.

Under our current system, if students fall below state standards for achievement at their grade levels, school districts receive extra state funding for remediation. If, however, school districts succeed in raising the achievement levels of those students, the extra funding is revoked. There is in other words, a reward for failure and a penalty for success.

Today, I propose a new program to reverse this biased equation, and to reward schools that move students out of basic skills programs.

Under my new program, schools will receive more funding for moving

students out of remedial programs in reading, writing, and mathematics. And they will receive rewards for preventing students from falling behind in the first place.

This program will give our good schools added funding to invest in more programs that improve basic skills, and it will allow us to share that knowledge with other schools throughout the state. It is an essential step in raising our students performance in the basic skills.

I have directed Commissioner Cooperman to prepare a detailed statement of this initiative in the coming months.

My second program is directed towards the handful of school districts in this state that appear to be having difficulty meeting the standards of the new monitoring process.

As you know, since January of 1984, all New Jersey schools have been required to pass a series of increasingly stringent state and local reviews in the monitoring process. A handful of districts, in the future, may continue to fall short of the standards required.

We must do everything we can to educate the children within those districts. Toward that end, I will ask Commissioner Cooperman to anticipate

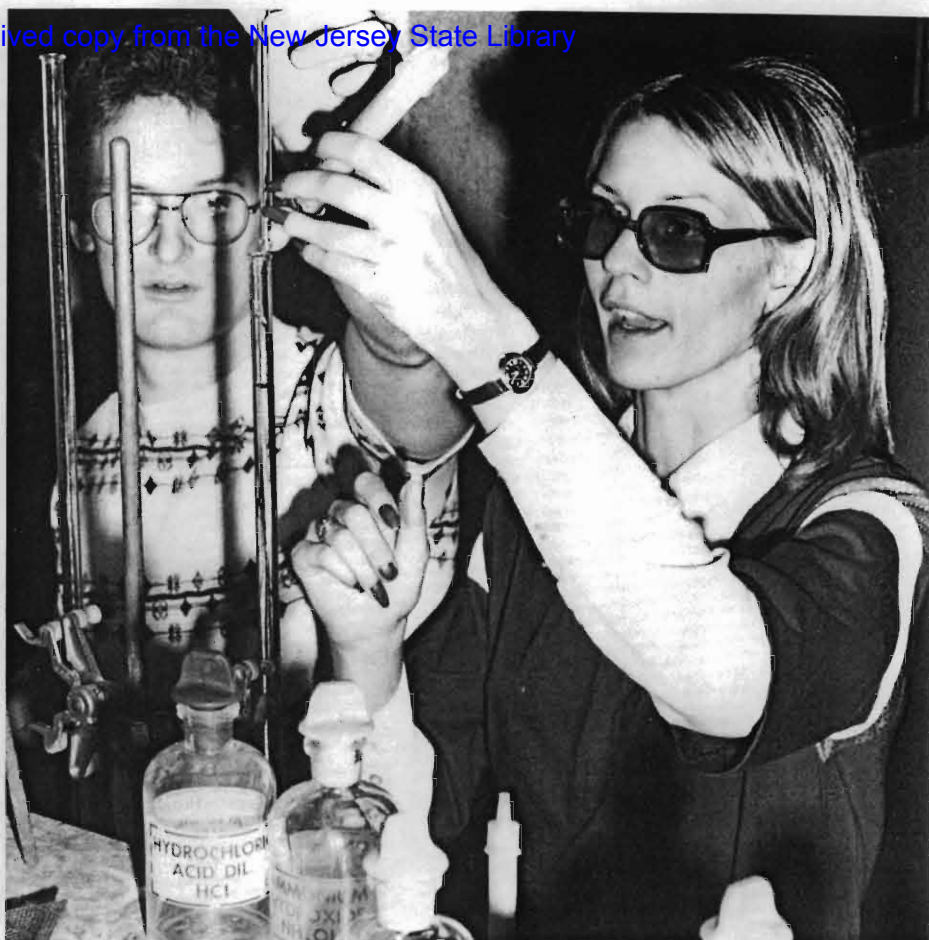
the possibility that some schools may continue to fall short of our standards, and to devise a way to help districts through a process of assistance and possibly limited intervention, if necessary. If the situation cannot be resolved any other way, then the state will have to intervene in a most assertive way in the operation of these school districts.

I realize that this is an extraordinary and unprecedented step. But the future of those children justifies this action. I will ask Commissioner Cooperman to report to me and to you in this regard during the spring of this year.

My third and final initiative centers on a group that has been too often ignored in our push for education reform: our principals.

The principals are at the center of everything that happens within a local school system. Like managers in any office, they are responsible for the finished products. They face tremendous demands on their time and energy. Few of us realize how demanding their jobs have become.

One responsibility that principals absolutely must give a high priority to is observing what goes on in the classrooms. This is often difficult, given the many other demands put



upon them. Commissioner Cooperman has been calling on principals and supervisors to spend 10 percent of their time observing instruction. That makes a lot of sense to me.

After all, what happens in the classroom is what we care about. When principals spend time in the classroom they focus the attention of the whole community on good teaching. In this way, good teachers will be recognized, their contributions to education acknowledged and their influence expanded throughout the entire school community. Unfortunately, today there are too many administrators in our schools who are not actively involved with the classroom.

Today, I call upon Commissioner Cooperman to appoint a panel of nationally recognized educators and to give them this charge: what are those indicators of good teaching that a principal or supervisor should be trained to recognize? What is the most effective way the state can assist principals and supervisors to improve their observation of instructions? And, should all administrative personnel be required to return to the classroom at periodic intervals?

Let's establish a New Jersey model for the training of principals and

supervisors in effective classroom instruction. And let the Academy for the Advancement of Teaching and Management offer that unique instruction on a voluntary basis.

For almost three years now, we have worked together on a comprehensive blueprint to improve our schools. All members of the New Jersey family, state government, local schools, industry, academia and others, have worked to devise and implement a series of dynamic education reforms.

Already our commitment is beginning to pay dividends. As I mentioned earlier, SAT scores are now rising sharply, after a period of long decline. Basic skills scores are also on the rise. And there is a palpable excitement in our classrooms throughout the state.

Other states are beginning to take notice. Educators across the country are calling, writing and coming to New Jersey to learn about minimum salary legislation and the alternate route to certification. Just recently, Chester Finn, a Deputy to Secretary of Education William Bennett, told a gathering of national educators that, "we look to the state of New Jersey for educational leadership." I am proud of that compliment. I am proud that New

Jersey has taken the lead in investing in the minds of our children.

Today, I ask you to continue that investment. I ask for your support as we move to put into action many of the ideas that we have devised in the past three years. And further, I ask for your support for three new initiatives that will complement and improve our past efforts.

We must never forget that while

"I am proud that New Jersey has taken the lead in investing in the minds of our children."

the first results of our action may be apparent today, the real payoff awaits us tomorrow. If the children of New Jersey 2000 are to gain the skills they need for the future, if they are to be able to read and analyze, think and write, compute and apply their computations, identify problems and weigh solutions for themselves, then we must get to work on our schools today. We must improve our schools today, so that our children and our grandchildren can receive the education they deserve tomorrow.

HIGHER EDUCATION



While programs to improve our elementary and secondary schools are now well underway, we have recently turned our sights to another level, to the challenges facing our colleges and universities.

The reason for the shift is simple. A quality education is more important now than ever before. While elementary and secondary schools provide the basic skills, colleges and universities allow our people to develop intellectually and culturally, to live more complete lives. As our economy grows more complex, the chance of finding fulfilling employment depends on one's college education.

All New Jerseyans have a stake in the quality of our state's campuses. If New Jersey is to be a leader in the year 2000, then we simply must have a first-rate system of higher education.

How can we improve our colleges and universities? Answering that question will require both discipline and creativity. Discipline to resist the temptation to dictate rigid requirements to our campus leaders. Creativity to devise programs that can unleash the potential on the individual campuses.

Colleges and universities do not

react well to "top down" reforms. Such reforms tend to squelch initiative and creativity. They lead to regimentation and procedural control, two conditions that are inimical to academic quality.

Instead, state government has a responsibility to create the climate for excellence in our public colleges. We cannot legislate quality. We can challenge the leaders of our public institutions to improve. We can support those who accept the challenge. We can lead the search for financial resources. We can press those institutions for appropriate measures of performance.

I have said all of these things to national audiences as Chairman of the Education Commission of the States. I say them to you today because we are in a position to act.

Last year I stood before you and said that greatness was within the grasp of many of our colleges and universities. I issued a series of four challenges to move New Jersey schools from the middle of the pack to the top. Challenges to make sure that the potential before us does not slip away.

I was so confident in our schools' potential that I backed those challenges with money. Money that would provide

incentives to improve, and money that could provide recognition and reward when improvements occurred.

"All New Jerseyans have a stake in the quality of our state's campuses."

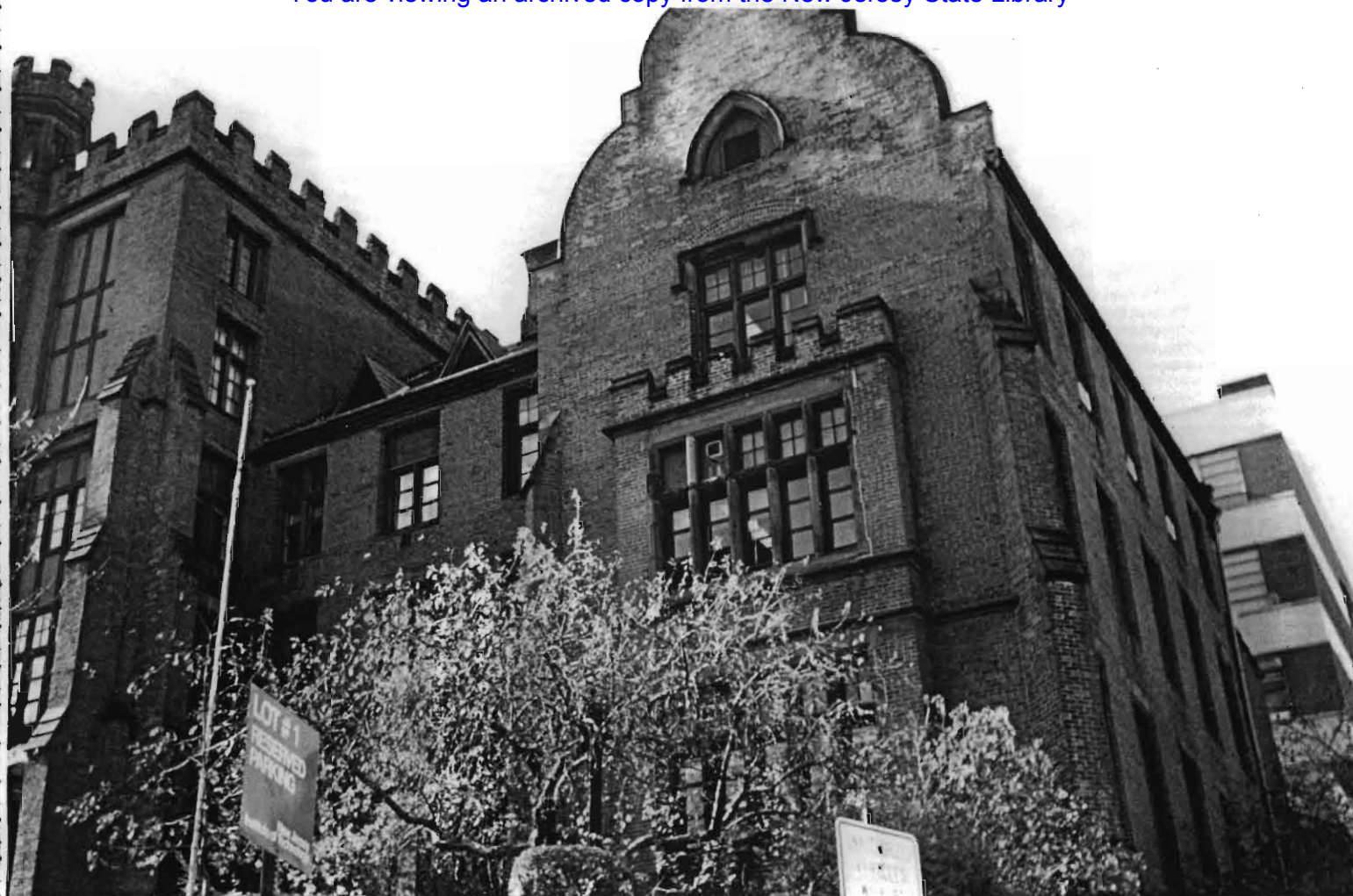
Our colleges and universities are responding to the challenges I laid before them.

My first challenge was to Rutgers.

Our state University must become one of the premier research facilities in the entire world. In the past few years, Rutgers has improved the quality of education that it offers. The graduate student body has expanded, the faculty has grown, and the curriculum has been broadened. Improvements have been made to campus facilities in New Brunswick, Newark and elsewhere.

Last year the Eagleton Institute of Politics at Rutgers won a national competition to become the home of a research center to investigate the role that the federal and state governments can play in promoting quality education.

Rutgers can become one of our nation's premier universities. Because of



the challenge I announced last year, the state is now an active partner in Rutgers' drive for excellence.

In fiscal year 1986, Rutgers will receive an \$8.7 million challenge grant. With the money, Rutgers has chosen to recruit world class scholars, to support the work of outstanding junior faculty, to provide additional fellowships and internships for talented graduate students and to increase library acquisitions and make physical plant renovations.

As our state University, Rutgers should symbolize the commitment to excellence that flows through our entire system. Rutgers' success will reflect well on all our colleges and universities and on our entire state.

Just as Rutgers can be a preeminent research university, New Jersey Institute of Technology (NJIT) has the potential to become a nationally recognized comprehensive technological university.

My second challenge was to help NJIT reach its potential.

NJIT is already a national leader in "computer integrated" campuses. Microcomputers were made available to all incoming freshmen in the 1985 class.

Last year, NJIT became home to the Center for the Study of Hazardous Materials, the nation's premier laboratory for research into methods to safely dispose of hazardous wastes.

In fiscal year 1986, the state is providing a \$4.3 million challenge grant to NJIT. With the money, NJIT will work toward goals it has set to reach by the end of the decade. These include doubling the support funds for research, increasing graduate enrollment from 16 percent to 25 percent of total enrollment, recruiting 50 new faculty and increasing annual contributions by 100 percent.

These are ambitious goals. They demonstrate the willingness of NJIT to move into the ranks of our country's best technological schools.

My third challenge was directed to our nine state colleges. I challenged the presidents, faculty, trustees, and students of each college to build upon existing strengths and to chart a plan for the future. I asked for specific proposals and put money behind my challenge.

The response was tremendous. The standards for evaluating the grant proposals were extremely high. A panel of nationally recognized educators selected two proposals for funding.

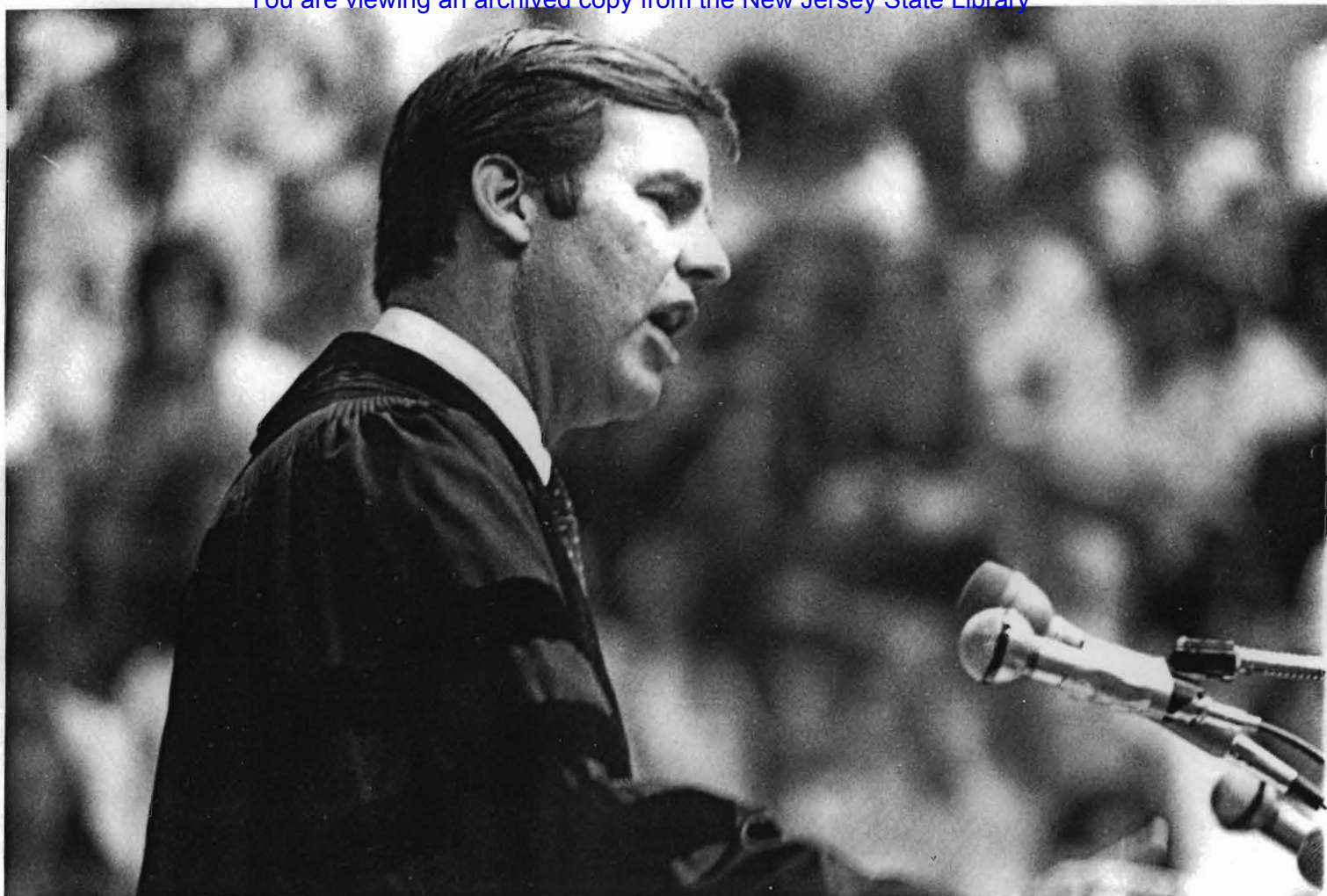
Kean College, in Union Township, is receiving \$3.97 million to initiate a "value added" testing system which will measure improvements in students' knowledge, capacities, skills and attitudes over the course of their college experience.

Jersey City State College has been awarded a \$5.7 million challenge grant to initiate a "cooperative based learning system." This system will require all students to have on-the-job training relevant to their academic majors.

These two colleges have shown the initiative to be trailblazers in education. Their performance will only add to our reputation as an education state.

My final challenge was to the entire higher education community. I called on all our colleges and universities to work together to reverse a disturbing trend: the declining enrollment of minority students.

By the year 2000, one out of three Americans will come from a minority background. All Americans must have both a quality secondary education and access to our institutions of higher learning. It is a matter of justice and opportunity and a matter of economic necessity.



Our efforts begin with college aid programs. Today, New Jersey offers one of the most comprehensive and integrated scholarship and loan programs in the nation.

This year alone, the Department of Higher Education will award over 44,000 Tuition Aid Grant Awards (TAG), 8,200 Garden State Scholarships, 12,700 Educational Opportunity Fund (EOF) grants, 100 Garden State Graduate Fellowships, and 700 Garden State Distinguished Scholar awards totaling over \$63 million. In addition, over 40,000 New Jersey residents will receive approximately \$51 million through federally funded Pell Grants.

Together the student aid programs provide over 71,000 awards at varying levels to supplement the family's ability to pay. These programs help make college affordable for thousands of New Jerseyans. They deserve your continued support.

This year marks the twentieth anniversary of county colleges in New Jersey. They play a major role in making education and training accessible to all New Jerseyans. As they enter the third decade, they are beginning to respond to increased need for technological training

from New Jerseyans of diverse backgrounds.

To further improve access for minority students, the Board of Education has convened a task force on each campus to develop new approaches to recruiting minority students.

We are also working to create early intervention programs for struggling students in nine urban areas. These programs bring minority students into colleges and universities for summer and after school activities. The program not only helps with academic problems, but gives many students their first exposure to the potential of a college education after high school. The Department of Education plans major initiatives in this program in Newark, Camden, and Trenton in 1986.

The response to each of the four challenges was exciting. It strengthened my belief that our campuses are fertile ground for education reform. We must allow them to achieve their potential.

I want to keep providing incentives to those universities that responded to last year's challenge. I want to extend new incentives to other parts of our higher education community.

Rutgers has moved ahead with this

year's challenge grant money. They want to do more. University leaders have told me they can make Rutgers a national leader in research.

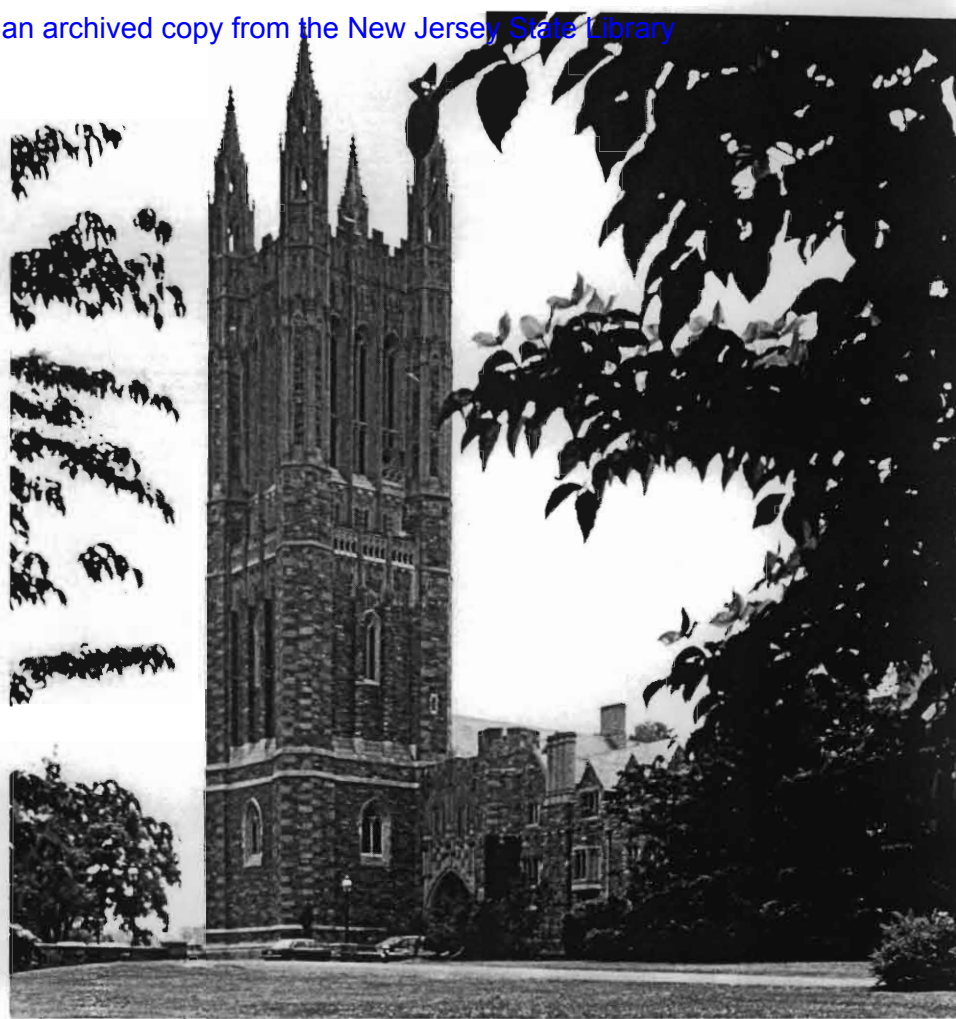
I want to see them do it. Our state needs a preeminent research university. The budget I submit to you next month will include another increase in the challenge grant program for Rutgers.

NJIT has also responded to the challenge I laid before them. The goals they have set out are ambitious. If met, the goals will allow NJIT to take its place among the country's best technological universities. The budget I provide you next month will include more incentives for NJIT's growth and expansion.

Another University deserves our attention: the University of Medicine and Dentistry of New Jersey.

In the past year, UMDNJ added to its national reputation as a leader in teaching, research, and patient care.

In June, the University initiated the Sammy Davis, Jr. National Liver Institute, dedicated to advanced research and the treatment of liver disease. Earlier in the year, the New Jersey Cancer Center was formally dedicated and began providing state-of-the-art intraoperative radiation therapy for cancer patients.



This center is one of only four in the nation equipped for this type of procedure. In August, Dr. David Goldenberg, President of the Center for Molecular Medicine and Immunology, received a \$9.7 million grant from the National Cancer Institute for his pioneering work into the early detection of cancer.

UMDNJ's accomplishments are impressive. The University can do more.

The National Institute of Health ranks UMDNJ among the top 100 universities and colleges that receive federal grants. That is good. But New Jersey should have an institution that ranks among the top twenty five.

UMDNJ has undergone much self scrutiny in the past year, and a plan for their future is emerging. This plan reflects the kind of vision that New Jersey, and increasingly, the rest of the nation, expects from our institutions of higher education.

We are approaching a strategic choice. Health care and its delivery are changing rapidly. Will New Jerseyans remain dependent for specialized care at out of state facilities? Will we strengthen our own capacities? We face several complex issues in this area. We must not

duplicate facilities. We must get the most service for the money we have. We must balance the needs of the region.

UMDNJ's plans are not yet complete, but, even now, there are parts of them that we can use for building. The state should support this planning. I call upon the Chancellor and the Board of Higher Education to work with the president, faculty and trustees of UMDNJ. In the budget I present to you next month, I will recommend a significant state appropriation to advance this effort.

The challenge to UMDNJ will be to complete their blueprint and hold it up to the scrutiny of the public and health care community around the nation. Like Rutgers and NJIT, UMDNJ can use incentives to improve. The state will further support UMDNJ by putting money behind the University's effort to recruit deans, department chairs and other faculty of the first rank.

New Jersey needs a first-rate health research university. With our incentives, I call on UMDNJ to make it happen.

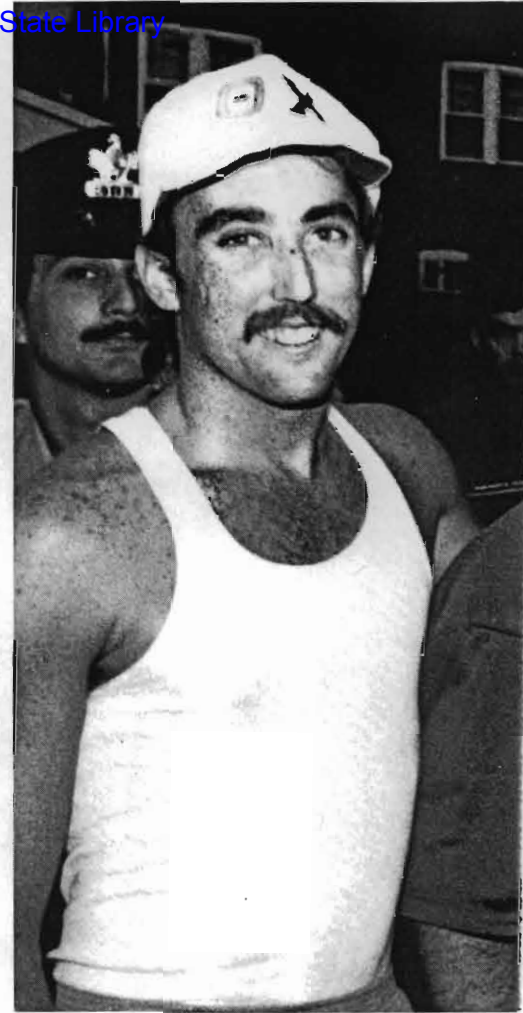
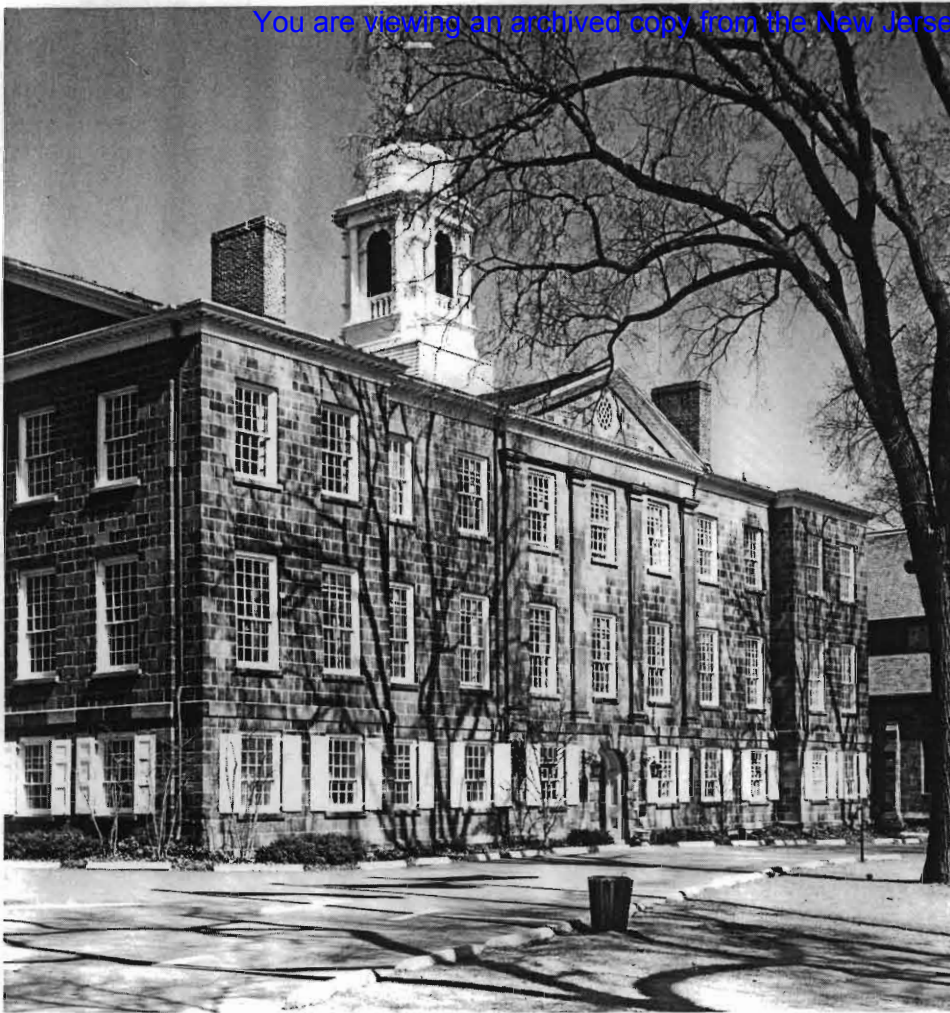
I also renew my challenge to New Jersey's nine state colleges. The competition engendered by last year's challenge grant was healthy. It provoked many of our colleges into the

kind of constructive self examination that can dramatically improve the education they offer.

Others agree with me. Terrel Bell, former Secretary of Education, Kenneth Clark, New York State Regent, and Barbara Newell, former Chancellor of the State University of Florida System, recently reviewed the state challenge grant program. They said: "we believe the challenge grant program has the potential to reshape higher education in New Jersey, and to show the way for the rest of the country. We know of no other state which has embarked on a similar path. The eyes of the nation's higher education community are focused on New Jersey, and rightly so."

These educators said something else, "the biggest challenge is yet to come: that of sustaining the momentum."

I want to renew the challenge. I want to sustain the momentum. Today, I call upon the Chancellor and the Board of Higher Education to convene all the state college presidents, all presidents of all the boards of trustees, the presidents of all the faculty senates and alumni associations. I intend to be there to deliver a message on behalf of all the



people of New Jersey.

The message is this: we look to these leaders to create colleges that are among the nation's best. We all have a stake in their success.

When I meet these campus leaders, I will tell them that this renewed challenge is not just another grant program. Later this month, I will ask you to pledge another significant challenge fund, but this money is not simply to go to proposals that were not funded last year. I want our state college leaders to examine the strengths of their campuses and to come up with new proposals that can move them into the future.

And I want to add something else. A word of thanks to all those who have participated in the challenge grant program. It is not easy being an education leader in New Jersey, because our expectations are so high.

There is something else we can do to help our state colleges. As I speak to you today, a large roadblock exists which prevents our colleges from reaching their true potential. Unfortunately, that roadblock exists because of legislative inaction.

We can remove that roadblock by enacting the most important higher

education reform in two decades: college autonomy legislation.

A year ago, in this message, I called for autonomy legislation that would create the conditions for excellence in our state colleges. The bill you gave me was so overlaid with new controls and restrictions that, on the advice of educational leaders, I rejected it.

College autonomy legislation is the foundation of renewal for New Jersey's

"College autonomy legislation is the foundation of renewal for New Jersey's state colleges."

state colleges. It does not set the colleges off on their own. Instead, it frees them of red tape and holds the presidents, trustees and faculty accountable. I do not think New Jersey should be the only state with its faculty in civil service. I don't think that the Treasury Department should make operational decisions for colleges. I do not think that Presidents should be above being held accountable at the bargaining table. And I don't like reading, as I did a month ago, a report from the University of Illinois placing New Jersey state colleges at the

top of the list of all the states in terms of the operational restraints on them.

I know that some faculty unions have opposed this bill. I do not intend that you ignore their views. We can not build first-rate colleges without the involvement of the faculty. They are the colleges. So I challenge them now to become partners in this effort. There has been ample discussion. Let us meet once again and try to resolve our differences. Then let us be counted for or against the future of New Jersey state colleges.

And while loosening bureaucratic controls, there is another piece of legislation that can help our state colleges. We need legislation that will encourage the early retirement of tenured faculty. Many of our colleges are finding it difficult to allocate faculty to keep pace with student demand in new instruction areas. An early retirement program will give our colleges the flexibility they need.

Last year, I asked education leaders to pull together to make colleges more accessible to our minority students. You responded. But one year of effort is not enough. Enrollment of minorities at our colleges and universities continues to decline.



We cannot let this happen. College education is the means to opportunity for so many minority young people. I renew my call to you, and to all who care about education, to dedicate ourselves to the task of making college education more accessible.

Our system of higher education is beginning to improve because of the four challenges I offered in 1985. I would not only like to build upon those challenges, I would like to extend a fifth challenge, this one to the private and independent colleges and universities in New Jersey.

Independent colleges play an important role in our higher education system. Of all the baccalaureate degrees awarded in New Jersey last year, 31 percent were conferred by independent institutions. Many of these institutions face an ambiguous future in the face of declining enrollments and the rising cost of higher education.

The public institutions must be our first priority, but we have an interest in the future of private colleges. Many of them provide models for the public sector. Independent institutions face the same issues of quality and cost control that the public institutions do. But these colleges work without a net. They have

to excel or else. For that reason, private sector college leaders are likely to find creative solutions to the problems that face all of higher education. When they do, they deserve our attention, and, where possible, our support.

This year the presidents of the sixteen independent institutions will form a Commission on the Future of Independent Higher Education in New Jersey. We applaud that effort and will listen carefully to what they have to say.

Through our challenge grant program, we are using state money to offer incentives to various sectors of our higher education community. Our colleges and universities are responding with excitement and with new ideas.

In the coming year, the Board of Higher Education, under the leadership of Chancellor T. Edward Hollander, will supplement these efforts with a series of broad initiatives.

In fiscal year 1985, the Board of Higher Education spent \$11 million to fund five separate grant programs to improve our campuses.

Two of the grants improve undergraduate courses through the acquisition of computers and other state of the art equipment. A third grant

provides extra funding for hiring instructors in math and science. Another program strengthens humanities studies. The final grant program is used to improve foreign languages and international study programs.

These programs are an investment in our future. The humanities program, in particular, has been hailed as a national model of support for a well-rounded education. It is one of which I am particularly proud. As we strengthen science and technology we must never forget our need to enrich our minds through literature, philosophy, and other humanistic studies.

The Board of Higher Education is also active in efforts to convince more New Jersey students to go to college in state. In October, a two month series of programs on New Jersey colleges began running on public television, and is being rebroadcast now. Chancellor Hollander, who hosts the program, provides a lengthy overview of our campuses. Many New Jersey students are unaware of the strengths of our colleges and universities. This program, and other public relations efforts, better educate prospective students about what New Jersey has to offer.



In 1986, the Board of Higher Education will begin to evaluate the effect of a college education on both the student and the surrounding community.

The goal of this program, the first of its kind in the country, is to allow colleges and universities to specifically evaluate their influence on individuals and on society. This information will be helpful in guiding institutions.

All of these initiatives, from the challenge grants, to college autonomy legislation, to our new evaluation process, have the same goal: to improve the quality of education being offered on our college campuses.

We must reach that goal. If our citizens are to live full lives in the year 2000, if they are to be able to think and create and contribute to the workforce, then we must provide a first-class system of education for them.

There is one more reason we need a strong system of higher education. In our changing economy, the research laboratories on our college campuses are the places where new ideas are hatched, new products devised and new services produced. Our colleges and universities are like magnets, attracting new high technology jobs and industries.

In 1986, and even more so in the

year 2000, our colleges and universities must be at the center of economic development.

Our potential in high technology is just beginning to be realized. According to a recent report by the Economic Policy Council, employment in high technology industries in New Jersey grew by 47 percent from 1977 to 1982, outpacing the national growth rate of 36 percent.

New Jersey now ranks fourth in the country in the number of high technology companies, according to the American Electronics Association.

We must move quickly in order to maintain our leadership. Specifically, we must work as partners with private industry and with our colleges and universities to strengthen our research capabilities. We must ease the transfer between laboratory research and the manufacture of commercial products and services.

We made great progress in 1985 in pursuit of this goal.

Because of the \$90 million Jobs, Science and Technology Bond Act, which the voters approved in November of 1984, I was able to sign several pieces of legislation which can maintain our leadership in high technology well into the 21st century.

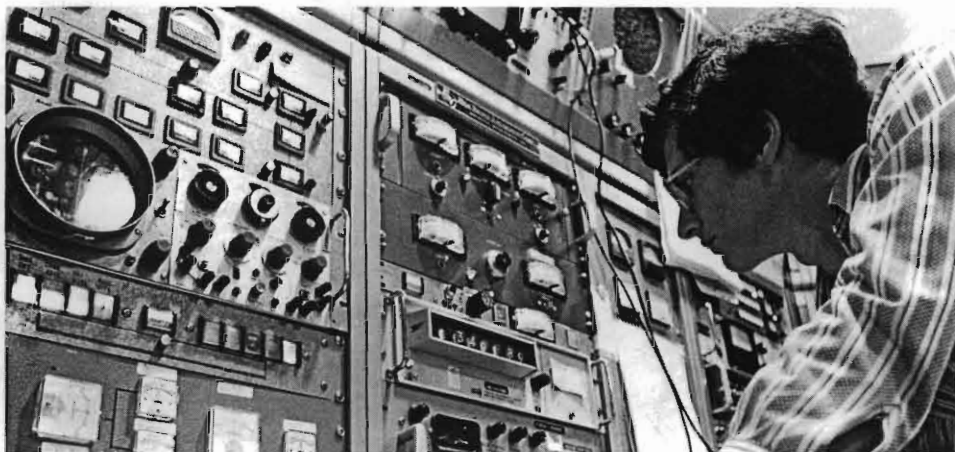
In April, I signed legislation creating

a permanent Commission on Science and Technology within the Department of Commerce and Economic Development. The Commission will coordinate all our technology advancement programs in the year ahead.

At that time, I also signed legislation creating four advanced technology centers across the state.

- The Advanced Technology Center in Hazardous and Toxic Waste Management in Newark, under the auspices of New Jersey Institute of Technology, and the University of Medicine and Dentistry at Rutgers
- The Advanced Center in Food Technology, at Cook College of Rutgers, in Camden.
- The Advanced Technology Center in Biotechnology at Rutgers.
- The Advanced Technology Center in Industrial Ceramics at Rutgers.

Each of these technologies has significant growth potential in the future. By combining the resources of higher education with the private sector we can help speed the time between the laboratory and the salesroom. The presence of these research laboratories will help attract outstanding scholars and academicians to New Jersey, greatly strengthening our system of higher education and broadening our economy.



base.

With the bond issue money, we are strengthening instructional programs in high technology at public and independent teaching institutions throughout the state. Notable among these is the new South Jersey Center in Integrated Manufacturing, which will be housed at Camden County College. As a joint effort of six community colleges and the New Jersey Institute of Technology, the center will offer programs in computer integrated manufacturing in short, programs in the technology of the factory workplace in the year 2000. A companion center, located at NJIT in Newark, will serve students in the northern areas of the state.

We are also giving innovative partnership grants to faculty or research teams at leading universities. In order to qualify for the grants, each researcher must secure a matching commitment from private industry. In the past year, a total of \$1.8 million was awarded in fields ranging from telematics to bio-instrumentation.

Finally, we are using the bond money to establish Technology Extension Centers for fledgling small businesses. Based on the example of decades-old agriculture extension

centers, the Technology Extension Centers provide new businesses with access to computer technology, market information and professional education they could otherwise not afford. In 1985, we established Extension Centers in two fields: polymer processing and aquaculture. In the coming year we will expand these centers into other areas.

These efforts are starting to pay off. In 1985, our universities received national recognition for their high technology capabilities. Princeton University, in consortium with Rutgers and others, was chosen as home to one of four federally funded supercomputers. Rutgers was named the site of the National Institute of Plastics Recycling Laboratory.

If New Jersey is to be an economic leader in the year 2000, then all interested parties—state government, private industry and colleges and universities—must work as partners to capture our technological potential.

During the past few years we have worked to improve the quality of New Jersey higher education. Our challenge grant program, our high technology bond issue, and our humanities grant program are three initiatives that have won national attention for originality and innovation.

I want to thank all the legislators who have worked with me to strengthen our colleges and universities. There is no better investment in the future of both our economy and the lives of our citizens.

As I said when assuming the Chair of the Education Commission of the States in August, what is at stake in our efforts is "not only economic renewal but the capacity for a true American resurgence in all dimensions of our personal, civic and cultural life."

That resurgence is possible, but only if we have the discipline to reject top down reforms and the creativity to give our campuses the incentives they need to reach the potential that is within their grasp.

In 1985, we made major steps in achieving that kind of balanced policy. This year, I ask you to work with me to improve and expand on the gains of last year. I ask for your continued support of the challenge grant program, and your approval of college autonomy legislation and early retirement legislation.

I ask you to work with me, so that our colleges and universities can meet the demands of a changing economy and so that one day all New Jerseyans may enjoy that freedom that comes from an enlightened mind.



New Jersey has a unique opportunity this year. Unlike in years past, no fires are burning. We have caught our breath. The time has come to push on.

Governments, unfortunately, too often react to crises. It is rare when they have the good fortune to solve problems on their own terms or to prevent those problems from occurring.

Some years ago there aired a television commercial that urged motorists to carefully maintain their cars. The commercial featured a mechanic repairing a broken-down engine.

While he worked, the mechanic explained that the expense of rebuilding the engine could have been avoided had the driver only made a small expenditure for the preventative maintenance of changing his oil. The mechanic's refrain, repeated at the end of the commercial, was, "You can pay me now or you can pay me later."

His case was persuasive and his words serve us well when we consider the health and welfare of our citizens. We, too, have a choice. We can pay now. Or we can pay later.

We can carefully and prudently spend a relatively small sum of money to prevent the occurrence of a vast number of illnesses and diseases that afflict New Jerseyans. Or we can ignore the wisdom of prevention and pay a vastly higher

cost at a later date.

Sailors know that they will face storms, so they make provisions to weather the vagaries of the seas. Governments also know that they will face storms. Too often they are unable to make provisions. We have a scarce opportunity to do so.

A rare moment is upon us. We have a chance to make changes that will improve the health and well-being, directly or indirectly, of practically every New Jerseyan.

I believe that the prevention plans I am about to lay out to you will give New Jerseyans the greatest chance they have ever had to lead healthy and productive lives. These plans, joined with some of the programs we have already begun like last year's historic Medically Needy legislation, will spark nothing less than a health revolution in the Garden State.

Circumstances dictate that this is the year to act. I introduce to you three major programs that make an investment in prevention today to protect us all for tomorrow.

I propose that we wage the health war on three fronts. I want us to concentrate on the special problems of the elderly, on improving maternal and child care, and on the effect of our environment on our health.

These programs will cut across bureaucratic and jurisdictional lines. They will involve the Department of

Environmental Protection, the Department of Health, the Department of Higher Education, the Department of Community Affairs and the Department of Human Services.

The scope will be broad, the commitment strong, the goal noble. There is no reason why a person should suffer when that suffering can be prevented. There is no reason why a life should be wasted when it can be productive.

"These plans will spark nothing less than a health revolution in the Garden State."

In the coming year, I ask you to work with me on a comprehensive program to protect our children.

During the last 25 years, teenage pregnancy has zoomed 200 percent. At the same time New Jersey's infant mortality rate remains embarrassingly, distressingly high. Thirty-two other states have lower rates. The incidence of mental retardation is twice what it should be. The number of teenage parents receiving welfare jumped 60 percent last year.

Taken alone, each is apparent for what it is: a crisis. Past efforts to solve these crises have focused on one problem alone. But each is interrelated.

The majority of the teenage girls



who become pregnant are poor and uneducated. These pregnancies are the most likely to be unexpected and unwanted, upon birth, candidates for the worst life can give them.

It is these children who are far more likely to have health and emotional problems. They are likely to be born into families where instability and want are the predominant characteristics.

These children are more likely to be born unhealthy or to contract serious, debilitating illnesses. It is these babies whose mothers are most likely to be unable to afford adequate medical care or unlikely to realize what sort of medical care is available.

We can change all this. If we intervene at an early age we can make a dramatic change in the number of teenage pregnancies we see, in the quality of life these children have and the type of lives their mothers live.

We want to take two approaches, which, if boiled down to two words, would be education and care.

Shocking as it may seem, many of these young mothers have never seen a doctor until they are several months pregnant. They don't understand how they got pregnant or even how long the pregnancy will last. Children themselves, they haven't the faintest idea what rearing a child means.

I believe we need a program to teach—to educate—these girls and boys

and get them to a doctor early. We want them to see a doctor when they're 12 or 13, not when they are 15 and pregnant. If we succeed here, we will be halfway to combating the second half of our dilemma, how to care for these children once they are born.

It is at this stage that the care phase of our program will kick in, for teenage and older mothers who also need adequate care.

Each year 1,100 infants do not live past their first birthdays. Many of them die because they are born with low birthweights. They just aren't strong enough to fight for life.

Unlike many other health problems, we know what has to be done. We know that in most cases what is needed is also cost effective. We know that for every \$1 we spend on prevention, we will save \$3.38 in later medical bills.

This part of the program will build on our existing and successful Healthy Mothers/Healthy Babies Program which we began last year in the 10 cities with the highest infant mortality rates. We will reach out to thousands of women who are now ineligible for the program or who are eligible but haven't taken advantage of current services.

Our initiative will involve careful medical screening and advice for mothers. If we can get these mothers into clinics; if we can warn them not to drink or smoke; if we can counsel them

about the effect of diabetes or hypertension on their babies; if we can teach them about proper nutrition, we are likely to see healthier babies born to healthier mothers.

A moment ago I mentioned how much money this program would save in the long run.

But it would have other benefits which are just as important. If babies are born healthier, there is less of a chance of mental retardation. There is less of a chance of anemia, of medically-related learning disabilities and of lead poisoning. Fully one half of the severely retarded cases in our mental institutions could have been prevented.

There are two more things we must do. The program will only work if these women get to the doctor. By expanding our current system of managing cases, we can make sure more women do.

And we must make sure we fairly compensate the people providing these services. Under the Medicaid program, doctors receive \$236 for a routine obstetrical case, including delivery and post-partum care. A private patient may pay as much as \$1,200 for the same care. We must increase the Medicaid rates for these services, or we will find ourselves without doctors to care for these women.

At the same time, we know we can more effectively use our Maternal and Child Health block grant money by



improving referral procedures for potential Medicaid clients.

We can further help these children by providing a way for their teenage parents to become productive members of our society.

To do this, we have launched a pilot program to make sure our teenage parents receive the education and job training they need.

New Jersey is the first state in the nation to begin a program which enables teenage mothers to take their babies with them to school. The benefits are enormous. The baby receives quality care, while the young mother completes her education and learns how to be a parent.

Without a job, the mother and child are destined for welfare. The Department of Human Services estimates that teenage pregnancy is one of the leading reasons why someone ends up on welfare and stays on it.

We think that these programs will help break the cycle of generational poverty and dependence on welfare. It will help families remain intact.

Let me recapitulate for a moment. Our prevention program is comprehensive. First we seek to reduce the number of teenagers who become pregnant. If we are successful, we will prevent a host of future problems from ever occurring.

But we know some teenagers will be

pregnant and so we want to make sure the mothers and babies are healthier through better prenatal and post-partum care.

Finally, we want to make sure the mothers—and the teenage fathers—can be productive members of our society through education and job training.

Our children are our future. Who knows whether the next Albert Einstein, Thomas Edison, Carl Lewis or Bruce Springsteen is among us already, playing with blocks today but doing who knows what tomorrow.

We owe it to our children, we owe it to the future of our state, and we owe it to ourselves to make sure that they are given the love, care and protection they need to grow. It would give new meaning to the old saying about an ounce of prevention being worth a pound of cure.

We owe that same love, care and protection to our elderly. Each year the aged make up a greater segment of New Jersey's population. A study by our Division of Aging last year found that the number of people 85 or older will double, and the number of people 75 and older will grow by 13 percent, by the year 2000.

Although today only 11 percent of the population is aged, the elderly account for 29 percent of health care expenditures, 25 percent of drug purchases, 35 percent of the short-stay

hospital days and 90 percent of the nursing home residents. As the number of elderly people grow, their needs will grow too.

I am proud of what we have already done to care for the elderly.

Last year we expanded our Community Care Program for the Elderly and Disabled. Through this program, more of our elderly men and women are able to be cared for at home. The impact of this program is so great that you can almost graph it. The quality of their lives go straight up on the graph, while the cost to them and to the state plummets.

And we were able to expand another program that is crucial for the elderly to live a comfortable life, the Pharmaceutical Assistance to the Aged and Disabled Program. We extended the eligibility requirements so more could qualify, meaning more could afford the medicines they need daily.

A moment ago I referred to the Community Care Program. Unfortunately, not everyone can be cared for at home. Some have become too ill or incapable of remaining on their own. Many of these people find themselves in nursing homes. And that means we must pay close attention to nursing homes.

Last year we did. We improved the coordination of our nursing home inspection and patient care review system to more carefully scrutinize how



these homes operate. Our Department of Health was able to perform 30 percent more inspections of the nursing homes than they had done in 1984.

The department did not stop there. It created a special computer program to keep track of violations each nursing home was cited for since 1980. Now information is being added from Medicaid. Sometime early this year we will publicize our findings so the public can see which homes have violated state laws and which have abided by those laws.

We prohibited nursing homes from requiring Medicaid-eligible patients to sign unfair private pay contracts before admission to the homes. We required that nursing homes reserve at least 45 percent of their beds for Medicaid patients and we forbade them from giving away a bed if a Medicaid patient has to be hospitalized for a brief stay.

I want to go beyond last year's accomplishments and redouble our efforts to make sure nursing homes provide the best possible care.

I seek three major changes in the laws governing nursing homes.

There is now no limit to the number of nursing homes one person may supervise. It could be one, it could be 100.

Even if every nursing home supervisor is the most talented and compassionate person in the world, he

can only be effective when concentrating on a small number of people. Someone spread too thinly is a disaster waiting to happen. So we want to limit the number of nursing homes per supervisor.

I also want to make sure the administrators are competent, so I want to limit the number of times someone may take the test to become an administrator.

And I want to put more teeth into our existing licensure laws to make them easier to enforce.

But I want to do more. New Jersey is already a national leader in meeting these special needs. Our philosophy is, when possible, to encourage care that will allow the elderly to remain in their own homes or communities. It costs less and it keeps morale high.

For financial and, most of all, humanitarian reasons, we are proposing to expand health care for the elderly in every setting. We want our aged citizens and their families to have the widest choice of care possible, whether it be home care or institutionalization.

Contrary to public perception, the great bulk of long-term care services is provided by family, friends and community volunteers, rather than nursing homes or home health care agencies. Until recently, no one really paid attention to the emotional and physical toll this exacts.

Sometimes the family needs a rest, whether it's for an hour, a day, a week, or perhaps a weekend or month. They love their parents, but the burden is heavy.

They need a break—or "respite"—from their responsibilities. Our goal is to give these people who are taking care of their kin a break, so they can continue to care for their loved ones without suffering the emotional and physical burnout that too often prompts a decision to seek nursing home care.

Demonstration programs to give these people a respite are being run in Hudson, Mercer and Burlington counties. The programs have worked and I believe should be expanded to the rest of the state. The families and friends will get their chance to catch their breaths.

Love motivates these people. But love doesn't always make up for the expertise needed but missing. So I also propose we help educate and train these people, and inform them of the many community resources available to them.

A special feature of this education program will be the involvement of those best equipped to provide this training—retired teachers. We will be asking the Retired Teachers Association to help us get this program going.

Frequently, whether an elderly person ends up in a nursing home depends on who is reviewing the situation and providing advice.



Sometimes a person is placed in a nursing home when he could have stayed in his own home or apartment.

Deciding how an elderly person should be cared for is often settled by the expertise of the person making the decision. We want to make sure there is a greater level of expertise out there and available.

This can be done through three programs. The Department of Human Services uses a system called case management in its Community Care Program. Under this system, a case worker reviews each person's condition and then tailors a program which allows the elderly person to remain at home.

Unfortunately, only 1,800 people can now receive this kind of professional assistance. We will build on this program, with the goal of doubling the number of participants.

New Jersey boasts top-notch nurses and doctors, but with the rising number of elderly, we need more who are experts in aging. With this in mind, I want to establish Regional Geriatric Assessment Centers in teaching hospitals throughout the state.

The program would provide comprehensive diagnostic evaluations for the elderly, while the students of medicine, nursing, social work and rehabilitative medicine could learn of the special situations that can develop when treating elderly patients.

This cadre of health experts will be needed in a third important program, our nursing home screening program. Many elderly patients are sent to homes when they are released from hospitals because of inadequate planning or thought.

If we screen patients, we will have taken the time and steps to find out who can remain at home and send only those who absolutely must go to a nursing home.

These programs will help keep the elderly out of the hospitals and nursing homes, saving them and the state money, while giving them a chance to lead happier lives.

Every one of these changes emphasizes the home over the institution. That is as it should be. But we must also make sure these homes are still there.

The success of these programs depends upon the availability of affordable housing. We know there is a unique need here, but we don't know enough about it.

So I suggest we establish a Task Force on Housing and Residential Care for the Elderly. I shall ask it to focus on two areas: home equity conversion plans and the expansion of the Congregate Housing Service Program. Together, these programs can help the elderly hold on to their homes and obtain the services they need.

Young, old or in between, there is

another health risk we all face: the environment. Some threats are obvious, others less so.

As as the third major prevention initiative, I propose to concentrate on environmental health. Too little is known about what—and how much of what—can hurt us.

We need a program to find out.

I propose the establishment of an Environmental Health Assessment Program to be run by the Department of Environmental Protection. This division will be among the most ambitious efforts in the country to assess environmental risks, calling upon the skills of toxicologists, epidemiologists, chemists, statisticians, environmental engineers, mathematicians and others.

These experts will identify environmental hazards and will estimate the relationship between specific dosages of pollutants and their effect on the body.

Having this information will be critical, but making sure the public will have it too is as critical. We will create a network of libraries with this information tied to an Environmental Health Library and Information Center at Rutgers.

We will also bring together journalists and scientists to design a documentary series on environmental issues, initially for television, but then for use in our high schools.



We will also have an Environmental and Occupational Health Science Center at the University of Medicine and Dentistry—Rutgers Medical School, which will put New Jersey in the vanguard of research and training in environmental health.

This center will provide the next generation of experts. Environmental science is going to grow in importance during the coming years. We will need these men and women.

Everywhere we go, we are exposed to some chemical in the environment. At home, presumably, each of us has some control over what he or she is exposed to. But at work we are often at the mercy of the workplace.

I want us to establish a worker health surveillance program. It will concentrate on high risk occupations and determine how these workers should be protected.

All of these changes are dictated by our sense of compassion and responsibility. Children should get a chance to live. Old people should get a chance to live comfortably. Everyone should get a chance to live free from dangerous and hidden chemicals.

I am confident of your support, because you, like the rest of the people in our state, are fair, compassionate and caring men and women.

New Jersey has always been a leader in providing outstanding health care for

its people. Our compassion for our poor and helpless is legendary and was amply demonstrated last year.

Talking about these matters is easy and inexpensive, but two years ago New Jerseyans reached deeply into their pockets to conclusively demonstrate their commitment to a better life for all Garden State residents.

In November of 1984 the voters in this state approved a \$60 million bond act. Last year we spent \$26 million of that money. This year and next we will use more of it to ease burdens, heal the sick and protect the weak.

That is why I look back on 1985 with immense pride. 1985 will be remembered as the year New Jersey took care of its poor. It was a year in which

"1985 will be remembered as the year New Jersey took care of its poor."

welfare assistance rose again, marking the second consecutive year we increased aid.

And 1985 was the year I signed the historic Medically Needy legislation.

This landmark law allows the state to embrace more of those people who do not have enough. It is unique because it represented government's recognition that existing laws were not good enough before there was a tragedy to drive home the point.

This law provides medical care for people who fall through gaps in the existing Medicaid laws. It will provide care for those who made too much money to qualify for Medicaid, but not enough money to be able to afford adequate care.

This Medically Needy program can make life better for so many of our residents.

The Medically Needy legislation will complement the new initiatives I have outlined. It is preventative legislation. It will strike at the root of many of the problems that we must later deal with.

If we make sure a young child is adequately cared for now, we will not have to fear long-term hospitalization and all its attendant costs. If we educate our young and give them a real chance at a good life, we will be far more likely to find a druggist rather than a drug addict, a minister than a mugger, a lawyer than a larcenist.

I said earlier that our children's initiative would help reduce the incidence of mental retardation and other problems. This follows on the heels of programs we have already created.

In 1984, I created a Council on the Prevention of Mental Retardation to try to reduce these problems. In recognition of these problems, and as a result of recommendations made by the Council, I recommend that we create an Office of Prevention within the Department of



Human Services to coordinate the efforts to combat the incidence of mental retardation.

I would like to thank my wife, Debby, for her work with the Council.

In addition, last year I signed legislation expanding and renaming the Division of Mental Retardation to the Division of Developmental Disabilities, to take care of not only the mentally retarded, but also those citizens who have other developmental disabilities.

We believe caring for the mentally retarded is best done outside of an institution. I don't care how good an institution can be, at its best it cannot be better than a warm and loving family atmosphere.

The job then is to make sure these people can be cared for at home. Last year, we received two waivers from the federal government that allow parents to care for their mentally retarded or disabled children at home without losing their Medicaid benefits.

And we began Project HIRE last year which helped train those who are retarded to hold jobs.

The new initiatives I introduced earlier will also be complemented by our lead poisoning reduction program.

Last March I signed legislation which established a testing program for lead poisoning in children we consider at the most risk. Four new test sites were funded in Burlington, Gloucester and

Middlesex counties and in Vineland. These, along with existing sites, enabled us to screen more than 58,000 children between the ages of one and six and refer those who needed it to treatment.

The prevention programs I have outlined are aimed primarily at our poorest residents. They are far more likely to have problems than our more affluent.

But whether you are rich, poor or somewhere in the middle, you know there is another threat to the safety of children and the peace of mind of every parent: child abuse.

None of us can rest easily knowing we are beset by this problem. We are fighting child abuse by raising public awareness and educating people about this scourge. To draw attention to this menace I proclaimed November 21st "Protect a Kid Day," and introduced a special toll-free telephone number for people who want to help combat child abuse.

We want answers to defeat this threat and that is why in 1983 I appointed my Task Force on the Prevention of Child Abuse. The Task Force has studied the hows and whys and has made recommendations to me that we believe can prevent much of the abuse.

The Task Force has already begun the Child Assault Prevention program throughout our schools, and I have

extended the Task Force so it can continue to develop programs to further protect our children.

We have also taken other steps to protect the children. You have passed and I have signed legislation to screen prospective foster and adoptive parents for potential child abuse and we have increased the number of case workers at the Division of Youth and Family Services who deal with these children.

DYFS hired more than 500 new caseworkers to help meet the growing number of cases of abused and neglected children. More caseworkers means each will be responsible for fewer children, making each more able to do a better job for these children.

One of the reasons children are so vulnerable is that the family has changed. Many kids are growing up in one-parent homes.

More often than not, that one parent is striving to raise that child as best she or he can. But it is difficult, and that difficulty is compounded when the departed spouse is not making the child care payments he or she has promised.

We recognized this and last year passed legislation to strengthen our laws enforcing child support payments.

The family has changed in other ways, too. When I was a boy, fathers went to work and mothers stayed home.

That world has changed for many New Jerseyans. Today, single parents are



usually juggling a job so they can feed and clothe their children. In many married couples, both the father and the mother have jobs. DYFS estimates that 40 percent of the children in the state under the age of six have mothers who work.

Increasingly, parents are turning to day care. Last October 16th I declared "Employer-Supported Child Care Day". We wanted to encourage employers to help meet the need for child care our modern families face.

This year marks a new effort to protect our children. This month, taxpayers will be asked to check off a contribution from their income tax returns to help fight child abuse. This is called the Children's Trust Fund and will establish funding for prevention programs to protect our children.

Abuse has ramifications for years to come. The emotional trauma it causes manifests itself in different ways. It is certainly a contributing factor to the increase in the number of suicides we see among our young people today.

I wish it were the only reason. If it were we could marshal our forces and channel our energies to it and end the problem. But teenage suicide has diverse causes and they are baffling.

On January 1st, we began a program to combat this problem, our Youth Suicide Prevention Program.

Many of the same causes that lead

our young to take their own lives are the reasons why they abuse alcohol and drugs.

We have made a major effort to understand why our youth abuse narcotics and to wean them from this destructive behavior. Last year our Division of Narcotic and Drug Abuse funded treatment programs for more than 11,400 people.

One of our most effective efforts was our Statewide Community Organization Program. In this program, 106 community-based teams, 78 in Newark alone, were trained in drug prevention strategies. These teams in turn began 35 programs on the local level, concentrating on fighting teenage drug abuse.

Many teenagers are abusing alcohol and drugs, this we know. We are beginning a new study to learn more.

Our Department of Health, Temple University and the National Institute on Drug Abuse will survey 1,000 people this year to try to glean more information.

We are fighting drug abuse and we are recording some successes. But there are health problems—some illnesses—that defy easy solution. Nevertheless the state remains in the vanguard of efforts to find a cure or improve treatment.

Cancer has become the password for fear during the last 25 years. Yet

progress is being made in the fight and some scientists believe they are on the verge of a breakthrough.

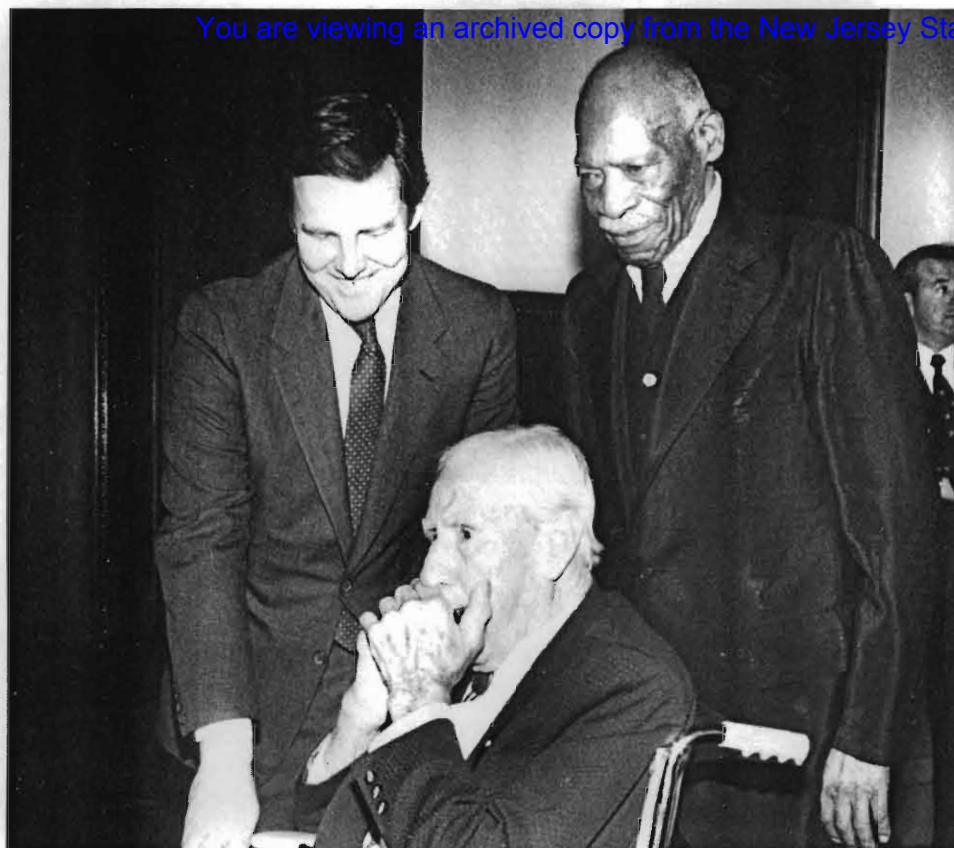
In New Jersey we are doing what we can to aid the research. Last year we won a five-year contract from the National Cancer Institute to maintain a Cancer Registry. The New Jersey Commission for Cancer Research has already funded 40 cancer research projects at institutions and higher education facilities in the state.

Key elements of the cancer puzzle remain unknown. But we know enough about some causes to say that forewarned, we should be forearmed.

I used to smoke. I'm glad I stopped because smoking causes lung cancer. Unfortunately, the incidence of lung cancer is increasing. Too many people refuse to heed the surgeon general's warning that smoking is hazardous to your health.

I want to change this. Last year you passed several laws to outlaw or discourage smoking in a variety of public places. As a result, the Department of Health began an ambitious program to train employers in the laws governing smoking in the office.

This year, the Health Department is beginning a program to discourage people from taking this foolish risk to their health and to blunt the pernicious effects of second-hand smoke to non-smokers.



We also know that exposure to asbestos can be dangerous. We have already begun a program to remove it, when necessary, from our schools. Last year our Asbestos Policy Committee reviewed the dangers posed in more than 500 public buildings and then made appropriate recommendations.

The risk of certain kinds of cancers that affect women may be reduced with education and prevention.

The incidence of breast and cervical cancer could be greatly reduced if women had regular and early check-ups for these particular diseases.

With effective early screening for both these diseases, the Department of Health calculates we could save the lives of 500 women a year. We want to encourage them to take advantage of these tests.

Unfortunately, there are new scourges threatening our population. Five years ago, the diseases well known to us today as Alzheimer's and AIDS were unknown to most Americans. Today, tragically, they are household words.

Both are killers and both rob their victims of not only their health but their dignity.

We have an obligation to try to beat these diseases, and we are meeting this obligation.

Discussing AIDS is a problem because the facts of this disease have become consumed by fear about its

possible causes, its transmission and its treatment. Sometimes these fears have verged on the hysterical and led to action that is unnecessary and irrelevant to the prevention and control of the disease.

We know we have a serious problem and we will deal with it properly, sensitively and professionally. AIDS has afflicted 1,000 New Jerseyans, more than 600 of whom have died. The number of new cases is doubling annually.

I believe we have two challenges. We must handle the real medical problem we face and we must erase the irrational fears that surround this disease.

We have begun AIDS surveillance. Testing sites for the AIDS virus were set up last year. In response to the threat posed to the blood supply, the Department of Health developed guidelines to screen blood used in transfusions to make sure it is free of the virus.

New Jersey will continue to fight this disease. We must educate the public. People who are at risk must be told that altering their behavior may save their lives. People must be told the facts about AIDS.

We also must get the facts out about Alzheimer's Disease. Alzheimer's Disease leaves its victims helpless, incapable of caring for themselves.

The sheer size of our elderly population dictates this is a disease we

must know more about. Last year we began an Institute for Alzheimer's Disease and Related Disorders at Rutgers Medical School.

The Institute will serve as a clearing house for information about the disease as well as a diagnostic center.

Fortunately, there are some diseases we have some grip on. Diabetes afflicts thousands of New Jerseyans, but it need not interfere with them leading a healthy, fulfilled life.

Our Diabetes Control Program, which we created last year, is an effort to make sure more people can live those kinds of lives.

Falling victim to any serious illness means extremely large medical bills are likely. I have long been concerned by the growth in the cost of medical care.

We have already taken steps to reduce these costs. We have a system known as the Diagnosis Related Group (DRG), which tells hospitals from the beginning that they will receive only a set amount of money for treating different categories of illnesses. If they do it more cheaply than the set fee, the hospitals may keep the difference. If they do it for more than the set fee, they must absorb the loss.

We pioneered this system; it is a New Jersey first. This system is so successful that the federal government modeled its Medicare reimbursement system on it.

The system has cut our costs greatly. The Department of Health has calculated



that the DRG system has caused us to fall from the 18th most expensive state for health care to the 32nd most expensive state.

New Jerseyans spend fewer days in the hospital. They choose to have more tests done as outpatients. They elect to have same-day surgery rather than in-hospital surgery. We lead the nation in lowering the average length of stay in hospitals and lower hospital admissions.

We can do more. We are going to have to do more.

Our ability to make this system work is threatened by two distinct problems.

Our system is threatened by proposed changes in Washington. Determined to reduce the national budget deficit, the federal government is expected to reduce Medicare payments to all the states.

If these cuts become a reality, the solvency of our hospitals and our state health care system would be threatened. With Medicare payments reduced, we would not be able to maintain the federal waiver that allows our system to operate. The whole system would be threatened.

New Jersey's is the only system in the country that has proven it can hold down costs while still taking care of the poor. This waiver has permitted us to continue to provide good health care for all our citizens, regardless of their ability to pay.

No one in New Jersey is denied

hospital care because he or she cannot pay. Contributions from everyone who pays cover the costs of those who cannot. This is the humane way to do things.

The Department of Health has studied the problem carefully and its

"No one in New Jersey is denied hospital care because he or she cannot pay. This is the humane way to do things."

recommendation is that if federal cuts in Medicare payments occur, we should consider creating our own uncompensated care pool. We are committed to providing hospital care for the poor and we will not abandon them.

Our effort to contain medical costs is threatened from another area. The Department of Health estimates there may be as many as 9,000 unused hospital beds by 1990. That means some hospitals will have to close, others to merge. Keeping these excess beds is a luxury the state's residents cannot afford.

The Department of Health has carefully analyzed New Jersey's hospitals and found the industry spends 40 percent more on capital expenditures than the national average. We cannot continue at this rate.

The Department is working closely with the hospitals to develop a wise

policy to guide further capital programs.

We all share a responsibility to make difficult choices in order to protect the public from unnecessary increases in the already high costs of hospital care. We must determine how much more we can afford to spend and where we should best spend that money. And we must also create new ways to promote voluntary reductions of hospital capacity.

We want to make sure our residents are getting their money's worth. As a result, the Health Department is drafting new regulations defining the kind of quality, cost-effective and efficient care New Jerseyans can expect as state-of-the-art.

We realize that, like the hospitals, state government also must hold down costs. Any service the state provides can be done more cheaply if it is done efficiently. Delivery of these services is becoming more efficient for a variety of reasons.

When wise to do so, we have transferred services to the private sector. For that reason we transferred drug treatment clinics formerly run by the state into private hands.

And we have relied on computerization to make departments function more smoothly. The Department of Human Services, for example, is becoming increasingly computerized, and it is paying off.

The level of error in processing



Medicaid claims has diminished to the point of being almost non-existent. The entire department has been restructured to make it more efficient.

Cooperation between the state and local units is essential to the efficient production of services. This is true whether we are talking about the Departments of Human Services or Health.

We have made special efforts to increase this cooperation. Both departments are making special efforts to work closely with local officials. The Department of Health was so successful last year that it was able to channel 32 percent of all state funds spent on health directly to the local providers. This was a 10 percent jump over last year.

Our phase-down of Trenton Psychiatric Hospital is almost complete. As a result, we have been able to

rechannel funds to build up community-based mental health services throughout the state. This is another part of our attempt to streamline the government.

These changes help state government get a grasp on what sort of care is needed. We have talked about many different groups, the young, the old, the ill.

But there is one more group that must be spoken of and that is the veterans. The veterans fought for this country when young. They risked their lives to defend us. We must remember them when they are older.

There are some 900,000 veterans in New Jersey. Over the course of the past four years we have made sure we have paid attention to these men and women.

During the past year, construction was completed on the new veterans

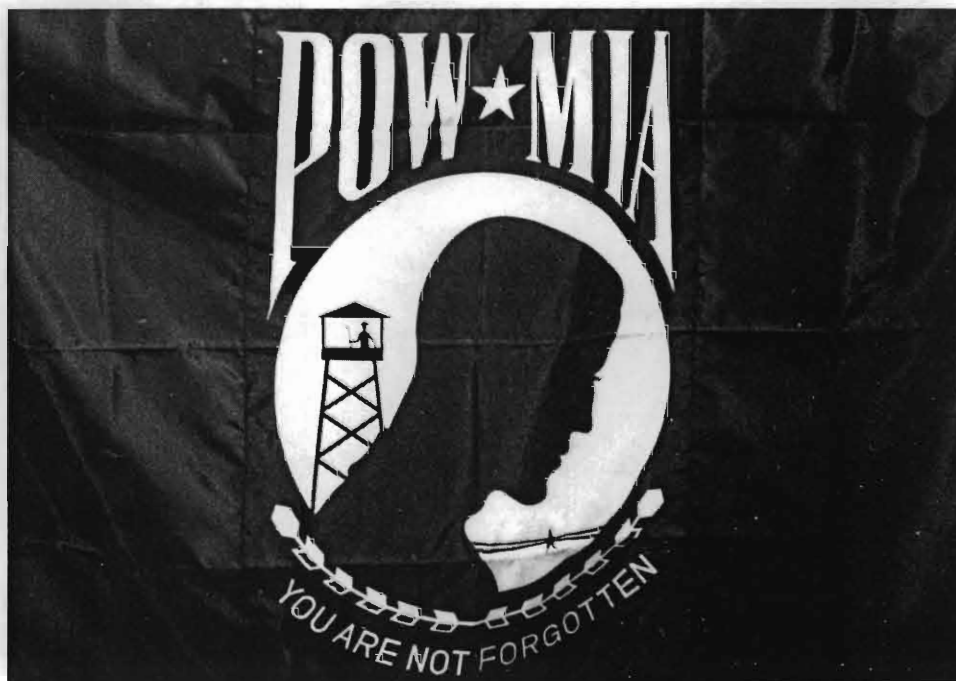
cemetery in Burlington County and on the first phase of the new veterans nursing home in Paramus. I am pleased to say we expect both projects to open early this year.

Jobs for New Jerseyans have been one of my paramount goals since I took office. We have made a special push to make sure veterans have jobs as well.

In October, we won from Washington an extension of a federal program to help more veterans train for and find new jobs.

We have held special job fairs around the state to match the veterans to businesses looking for help, and we have held three "veterans' supermarkets" so vets can go to one location and learn about job and educational opportunities and benefits.

Education is crucial to veterans' mobility, and so last year I signed



legislation providing \$1 million for tuition aid for veterans so they can go back to school if they must.

We have long been cognizant of the veterans' special health needs. We are now taking part in a study to determine what exactly are the threats from exposure to Agent Orange.

We have done these many things, but we have done them separately. We believe that now is the time to take a comprehensive look at the veterans' problems and their needs—not just now, but for the future.

New Jersey is about to embark on such a project.

During the next year, the Department of Human Services will begin a study to determine what our veterans will need in the next 20 years. This is the first time anything like this has ever been done. It is needed.

We also need to do more for one particular group of veterans, those who served in Vietnam. We are beginning to take care of their needs through the Vietnam Veterans Leadership Program.

This year we will initiate a psychology counseling program for Post Traumatic Stress. We are going to make sure veterans can get this service, by offering it throughout the state. We will open counseling centers in Jersey City, Bricktown, Deptford and New Brunswick.

The very young, the very old, the disabled, the very ill, the homeless, the destitute: all have special needs. They are without. We must help.

None of us is so naive as to believe that we can create a utopia. But none of us can look at our fellow men and women suffering without knowing we must do all we can do to prevent this

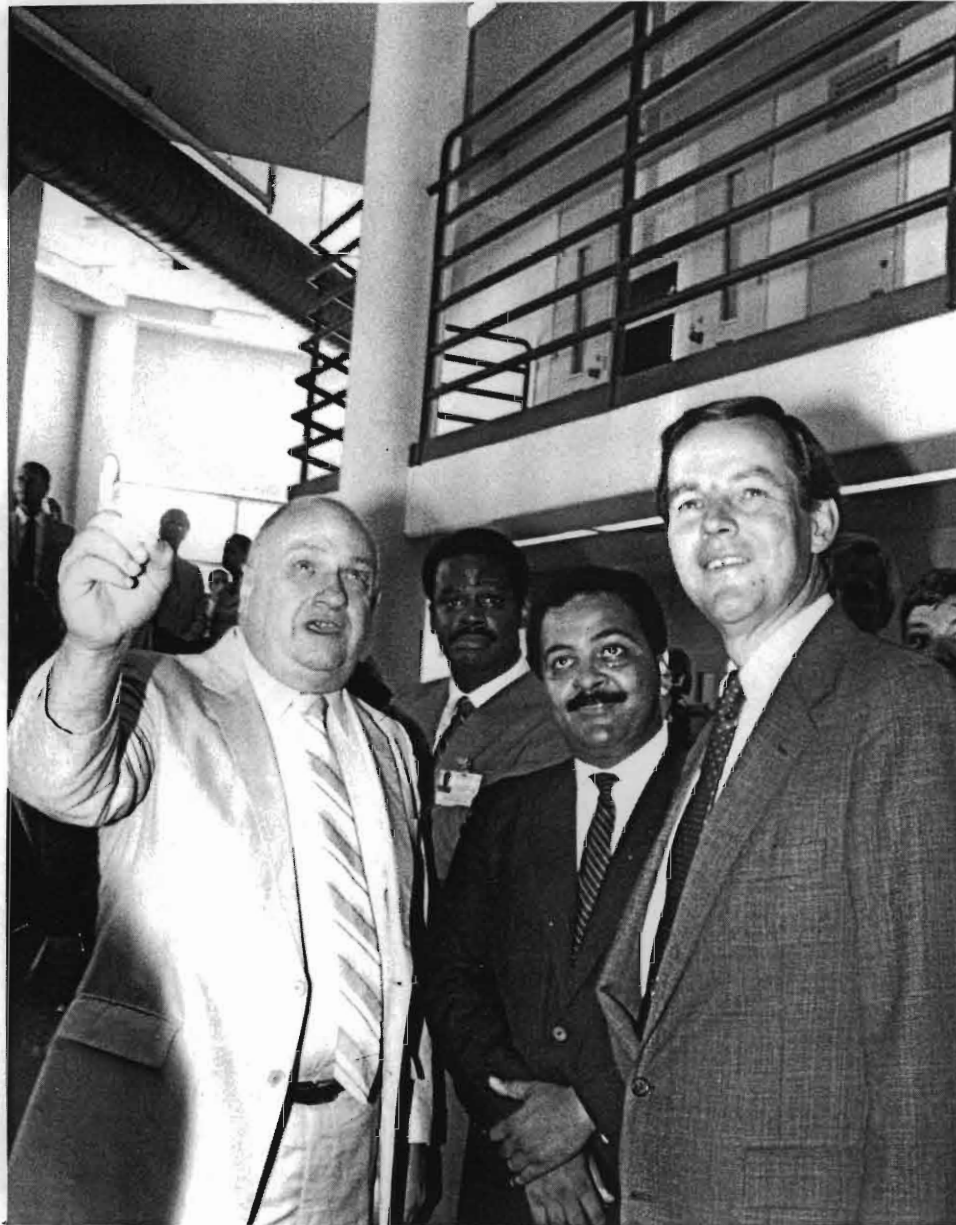
pain and anguish.

I know that I cannot predict how exactly New Jersey 2000 will look. But I know we can take steps today to promote a better New Jersey 14 years hence.

If we can begin these prevention policies, we will be like the farmer planting his corn. With care and diligence, we will have a bounty crop come fall.

The farmer's growing season is several months. The seeds we sow this year will not bear real fruit for another generation. With care and diligence on our own part, we too can have a bountiful society in New Jersey 2000.

LAW AND PUBLIC SAFETY



For the majority of New Jerseyans, dealing with state government means dealing with the Division of Motor Vehicles (DMV).

With more than 20 million transactions involving 5.2 million people during 1985 alone, Motor Vehicles is the one agency or office with which most New Jerseyans come in contact.

Unfortunately, that experience has not always been pleasant. Lengthy lines, discourteous service, unanswered phone calls and faulty computers are just a few of the problems that have plagued DMV's customers in the past.

For decades now, under both Republicans and Democrats, New Jerseyans have endured inefficient service from the DMV. The time has come to end this mediocre record. This

year let us work together to reform and improve the Division of Motor Vehicles.

We need to create a new Division of Motor Vehicles that is efficient, professional and responsive in every way to New Jersey's needs.

"We need to create a new Division of Motor Vehicles that is efficient, professional and responsive in every way to New Jersey's needs."

The plan I present to you today can do just that. It provides a carefully planned and researched strategy and framework. This approach is the product of months of analysis and examination of the flaws in our present system and the study of other motor vehicle

systems around the country.

The reforms are designed to accomplish two equally important goals. First, I want to remove politics completely and irrevocably from all Division of Motor Vehicles operations. And second, I want to provide DMV with an organizational structure and philosophy that will allow it to concentrate on what must be its primary responsibility: to provide quick, courteous and efficient service to the people who are, after all, captive consumers.

I believe these reforms will work. I ask for your bipartisan cooperation in quickly approving the necessary legislation, so that the people of New Jersey can finally receive the professional and efficient Division of Motor Vehicles that they deserve.



Since the Division was created, the agencies have been a place for both political parties to put allies. The system has been ripe with political patronage. This is not to say every agency employee has done a bad job. On the contrary, many of the agencies' employees have done an exceptional job under trying circumstances.

But, as I said this past June, as long as political patronage plays a role in the agency system, New Jerseyans will be saddled with second-rate service. Today, together, we should pledge to eliminate politics and patronage from the system.

Last year I proposed that we look at two other ways of doing business. I suggested we examine a private system with public bidding and a public system, perhaps run by county governments.

We have 54 agencies in our DMV system. The state runs 14 of them. Today I propose that we replace the current system by having the state take over the remaining 40 agencies, so they can be turned into non-profit, retail-oriented operations.

I have given this matter much thought. I have seriously considered contracting out the individual agency functions to private bidders. This would, in fact, remove politics. It would have the added advantage of putting another government function back in the private sector.

But after reviewing preliminary bid specifications, I fear that it would not improve service. I worry that there are no foolproof safeguards we could design to prevent private contractors from

cutting corners to make a profit. The losers in this system would be the state's 5.2 million drivers.

I believe a state-run system will work because I have seen it work on a smaller scale. After my earlier call to depoliticize privately run agencies, the state took over 10 abandoned agencies and opened four others. Service has been improved in these state-run agencies, showing that we can deliver first-rate service throughout a state system.

The current number of agencies, though, is inadequate for the Division's task. So in addition to having the state operate the agencies, I believe we should expand the number of agencies.

I want to make it easy for our citizens to use these agencies. We



should place these agencies in convenient locations with adequate parking. Some should be placed in shopping malls. We should also consider moving existing agencies to new, more convenient locations.

There will be calls to study the matter further. The Division of Motor Vehicles has been studied and reported on no less than six times during the past decade. The time for the studies by blue-ribbon panels and commissions is past. The time for action is at hand.

I then, am proposing a reorganization of the DMV along three, carefully considered lines. This strategy will give the DMV a conceptual and working framework to deliver service easily and efficiently to our state residents.

The three prongs of my plan emphasize retail-oriented customer service, better and expanded information gathering, storage and documentation, and improved enforcement and regulation.

"The time for action is at hand."

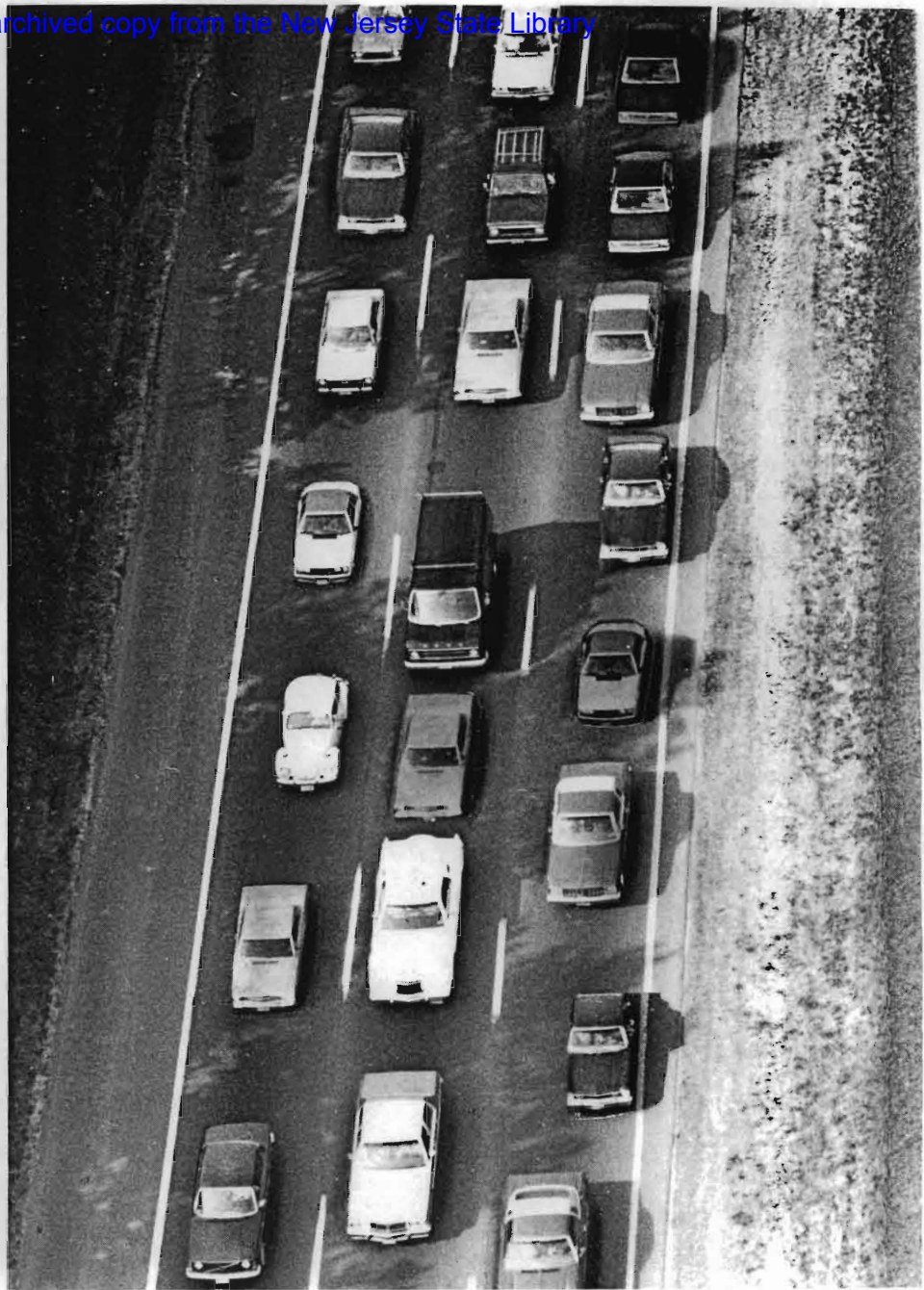
These are the three things the DMV should be doing and doing well. I will ask my newly designated Attorney General, Cary Edwards, to prepare, during the next six months, a plan to put these changes into effect. He has already spent the last several months closely studying the Division and will prepare a comprehensive blueprint to reform Motor Vehicles.

As I said a moment ago, we foresee

a state-run agency dominated by a philosophy that stresses a "retail," customer-oriented approach. These agencies would be free of classified civil service and would follow an apolitical merit system for their personnel. These workers would be trained to emphasize customer service. New Jersey taxpayers should expect courteous and efficient service, equal to that in any first class store.

We must also work with the Motor Vehicles employees who inspect the cars and conduct the drivers' license tests to promote a more consumer-oriented attitude.

We will make these changes carefully, after drawing on the best expertise the private sector has to offer. We will also work closely with the



unions to reduce the number of civil service positions in the non-retail operations of the DMV.

We must give DMV employees a decent place in which to work. The Trenton office has great problems. It is crowded and technologically obsolete. They need a new, modern building with plenty of space, good lighting and adequate heat and air conditioning. The new building must be bigger, and have adequate parking space for the 2,500 employees and daily customers.

This building must be strategically located, and must also function as an agency site and a hearing site. This will make it easier to serve the DMV's customers, the people of New Jersey.

The new hearing site will be joined by two others we will create. We will

place these new sites regionally to make Motor Vehicles more accessible to all New Jerseyans. We will be making convenience, service and efficiency our goals.

In any retail operation, there are means for disgruntled customers to complain. We want to make sure the New Jersey motorist has the same ability with the DMV.

So I propose that we establish an office to aggressively handle consumer complaints and provide the public with information about Motor Vehicles' procedures, rules, services and responsibilities. As part of its duties, this office would also prepare an easily understood consumer guide to be distributed periodically to every licensed driver in the state.

We have already begun to correct our past problems with the DMV computers. The Office of Telecommunications and Information Systems is supervising the completion of the Price Waterhouse contract. In addition, OTIS will supervise and manage the DMV's computer operations in the future. The result will be an improved ability to gather, store and retrieve crucial information for the retail and regulatory arms of the Division.

Several years ago, we faced grave problems inspecting our cars and trucks. People who tried to get their cars inspected faced extremely long delays.

Then we added extra inspection lanes and began using private garages to inspect some of the cars. The waits were reduced last year to an average of



10 minutes.

Recognizing this success, I propose that we make the public/private inspection system permanent. I also propose that we expand our system where necessary to meet the new, more demanding requirements of federal clean air laws.

There are a number of other changes I believe we should make. I want to improve the enforcement operations of the DMV, so I will create an intra-departmental task force representing the Attorney General's Office, the State Police, the Governor's Office and the DMV to make sure all concerned parties are working together to improve enforcement and regulation of motor vehicle laws.

I also believe we should streamline the DMV's acquisition of real estate and leasing procedures, giving the responsibility for managing and approving these real estate transactions and properties to a separate,

newly-created entity. The sheer size of the real estate, leasing and construction operations of the DMV requires a separate entity to handle them. This new entity will meet this unique need.

We must establish a new and distinct budget and financial control system for DMV's internal and external costs and operating expenses, charging off all expenses against fees collected by DMV. Our Office of Management and Budget is up to the task and I have asked them to begin work with the Attorney General on this problem.

These changes are extremely important to me and to the people of New Jersey. I am prepared to work with you to create a motor vehicle system which will be the best in the country and to dedicate the resources necessary to achieve this end.

After decades of inadequate and inefficient service, the 5.2 million citizens who must use our DMV more than 20 million times a year deserve

nothing less.

I want to thank Irwin Kimmelman for his work the past four years.

Attorney General—designate Cary Edwards and I have discussed the Department in depth and we have concluded that we want a major department-wide initiative to improve cooperation between the divisions and centralize the control of policy and management. Cary Edwards will do this with my full support.

We want the State Police talking more to the Division of Criminal Justice and visa versa. We want our criminal prosecutors talking more to the civil side. We want the state talking more to the county prosecutors and the local chiefs of police. And we want them talking back. We want continued state and federal cooperation.

We are going to get it because the men and women who work for the many bureaus, offices, agencies and divisions of Law and Public Safety are

DON'T DRIVE DRUNK



professionals and the best professionals we can find.

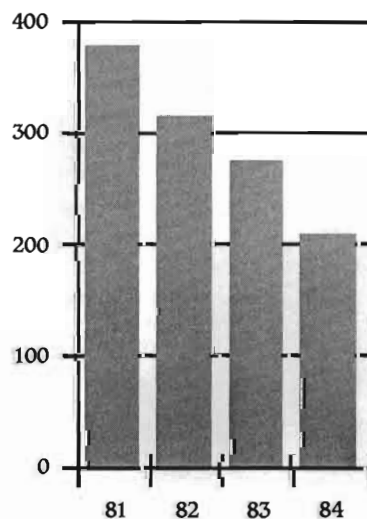
Their accomplishments have already been notable.

After a three-year manhunt, the State Police arrested Thomas Manning, their second suspect in the murder of Trooper Philip LaMonaco. Manning and his alleged accomplice, Richard Williams, will likely be tried this year.

The State Police continued their valiant efforts to stem the flow of drugs into New Jersey. During the first 11 months of 1985, they seized more than \$71 million worth of narcotics on the New Jersey Turnpike.

The State Police and the Division of Criminal Justice plan more and larger anti-drug operations this year and more pointed attacks on organized crime. Obviously, we cannot discuss this effort in great detail here, but I can say that the State Police, the Division of Criminal Justice and the federal authorities plan to cooperate on

TOTAL DRUNK DRIVING
RELATED FATALITIES



major initiatives to stem the flow of narcotics into New Jersey.

These efforts by the State Police will be aided by better equipment and more modern facilities. Construction was completed last year on new stations in Hope and Bellmawr and begun on three others.

One measure of how well the State Police did their job last year comes from the highways. Our State Commission on Drunk Driving has found that alcohol-related deaths plummeted 43 percent during the last four years.

Whereas 376 people died in 1981 in drunken driving accidents, the number had fallen to 213 in 1984. And at the same time, the number of arrests of intoxicated drivers dropped from 42,000 in 1981 to fewer than 30,000 in 1984.

That can only mean one thing: our crackdown on drunken drivers and our stiff anti-drunken driving laws are



working.

I said when we proposed our crackdown we could cut the drunken driving death toll by a third. We've cut it by more than that. Our message is clear and it appears to have been heard: no longer can you drink and drive in New Jersey.

We will continue to be tough on the drunken driver. And we will continue to be vigilant in our patrol of all drivers.

Until this year, the number of highway fatalities in New Jersey had fallen for three consecutive years and in 1984 had fallen to a 21-year low. Unfortunately, last year we recorded a slight increase in the number of highway deaths.

It is a tragedy that these traffic deaths increased. I pledge to you that

we will redouble our efforts to reverse this and continue to make New Jersey's highways the safest in the country.

The State Police and the Attorney General are symbols of New Jersey's determination to have a crime-free state. Our crime rate remains below the national average, our citizens safer than before.

We have made it clear by the tough sentences our judges are imposing, by the construction of additional prison space and by the vigorous work of our prosecutors. If you commit a crime in New Jersey you are going to serve time.

Last fall we began a publicity campaign to make sure everyone understood that, under the Graves Act, carrying a gun while committing a

felony means a three- to five-year prison term automatically.

And last summer we opened a new prison in Camden, work continued on a new prison in Newark, while further expansion continued at Rahway, Yardville and Bordentown. During the last four years, we have increased the number of prison beds by 4,379. Three years ago we faced a crisis of prison overcrowding. With our program of aggressive construction we see the beginning of the end to this problem. For every prisoner we ever have, we will always have a jail cell.

Using money from the Safe and Clean Street Program we put 2,000 more police officers out on the streets. We also used Safe and Clean money to help municipalities hire extra firefighters. Under another program



begun by Attorney General Kimmelman, we have made sure these men and women have been given proper firearms training.

I want to give our prosecutors new weapons, too. Last year I asked you for two changes in the state Constitution to aid our prosecutors. I renew that call.

Although I pause at the thought of amending the state Constitution, we must make these changes.

I want an amendment that will allow bail to be denied to violent criminals who we know are a threat to society and I want an amendment which will alter the so-called exclusionary rule of evidence.

Certainly, criminals who repeatedly injure or rape the innocent do not belong on our streets. Judges

must be given the power to hold them in prison to await trial.

Also, right 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 has to change. The U.S. Supreme Court ruled last year that evidence obtained in a search and seizure done in good faith should be included.

"We have to make sure our people are safe."

We have not forgotten the crime victims. Last year we enacted a Crime Victims' Bill of Rights and then strengthened it.

We created a special office to assist victims and witnesses of crimes, and

passed a special law defining the rights of victims of drunken driving. In the past we have often bent over backward to protect the criminals; now we are making doubly sure we protect the innocent victims.

The word is out on the street: New Jersey will not tolerate criminals terrorizing our citizens. We are taking back our towns and cities, street by street and avenue by avenue.

The word is also out that we won't tolerate illegalities or even the appearance of illegalities in our casino gaming industry.

Last year the Division of Gaming Enforcement (DGE) won a major court fight upholding the state's right to regulate the relationships between casinos and labor unions. The DGE made it clear that it would be tough



on violators of state laws when Caesar's Boardwalk Regency was closed the day after Thanksgiving for improper credit transactions.

This year the DGE plans to review the Casino Control Act to identify areas where law enforcement controls need to be strengthened. The DGE will focus on casino credit rules, junkets, complimentary services offered by the casinos and its own access to casino information.

Our State of New Jersey and particularly our older citizens have benefited monetarily from the advent of casino gambling. But, like alcohol, gambling is addictive to some of our citizens. This year I hope we can agree on a program to take some of the money we receive from gambling and help those who have become addicted.

The DGE's job is to maintain the integrity of the gaming industry, just as the Racing Commission's job is to

maintain the integrity of the racing industry. Both are doing an outstanding job.

Under the Racing Commission's supervision, New Jersey became in 1985 the first state in the nation to adopt regulations requiring the drug testing of thoroughbred jockeys and harness drivers. While the Commission won a court case challenging the practice, it also opened state-of-the-art laboratories to conduct the tests at three tracks.

1985 also saw several other important developments in the racing industry. Garden State Park reopened and the voters approved the resumption of simulcasting, securing the jobs of many in the thoroughbred racing and horse breeding industries.

Without a strong public belief in the integrity of the law and the integrity of the institutions that enforce the law our society crumbles.

We in New Jersey are fortunate to have an office whose sole job it is to challenge the integrity of any and all governments and institutions, the Department of Public Advocate.

It is with great regret that I bid good-bye to Joseph Rodriguez, but I am happy to welcome Alfred Slocum to the Department. The Public Advocate has a strong record of protecting the individual from the system and under Alfred Slocum's able leadership I expect that to continue.

New Jersey also welcomes another strong leader to its enforcement ranks. Late last year Larry Hazzard assumed the office of Athletic Commissioner, in charge of supervising the state's boxing industry.

Much has been made of our boxing industry. The State Commission of Investigation just released an important report assessing the boxing industry in New Jersey. We



will study the findings of that report very carefully.

We have already begun major changes in our boxing laws. Last year the Attorney General's Office completed the first major overhaul of our boxing laws in years. The new regulations are designed to protect the fighters and the integrity of the game. They regulate the conduct of managers, promoters and other boxing figures as well as the fighters themselves. One of the key regulations requires pre- and post-fight testing of all boxers to detect the use of alcohol or drugs.

In the sport of boxing, I am in favor of reform, not abolition.

For too many years, loopholes in state laws allowed some unscrupulous stockbrokers to take advantage of investors. Last year you passed and I signed an overhaul of New Jersey's securities laws.

These changes will strengthen our law and put more teeth in enforcement. They will protect the consumer without putting undue regulation on the securities industry.

The emphasis here is on protecting the consumer. This same emphasis is present at our Division of Consumer Affairs. Last year the Division issued new regulations concerning auto leasing, dealers, warranties and other important safeguards for the consumer.

The Division was also successful in winning from General Motors a \$5 million settlement regarding defective transmissions. This settlement was more beneficial than the one reached by the Federal Trade Commission.

The Division will continue to keep a close eye on the consumers' right to safe and reliable automobiles. It plans a major review to the state's Lemon Law to make it more workable.

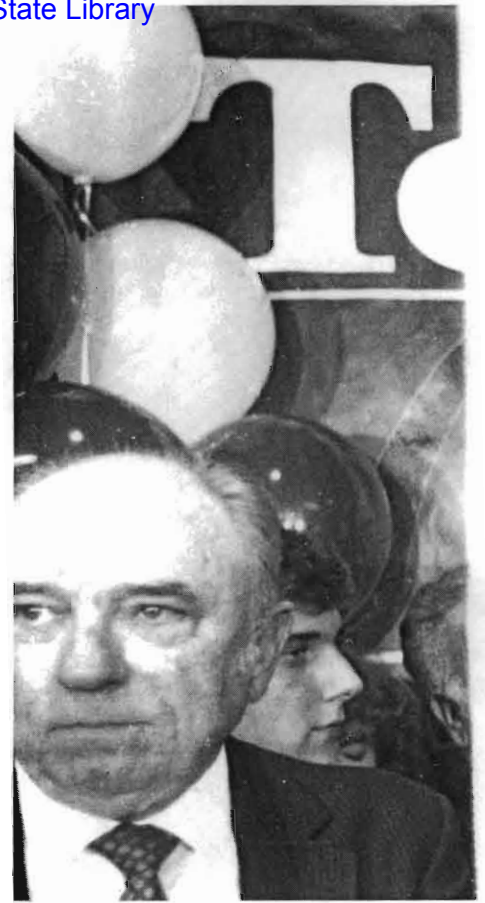
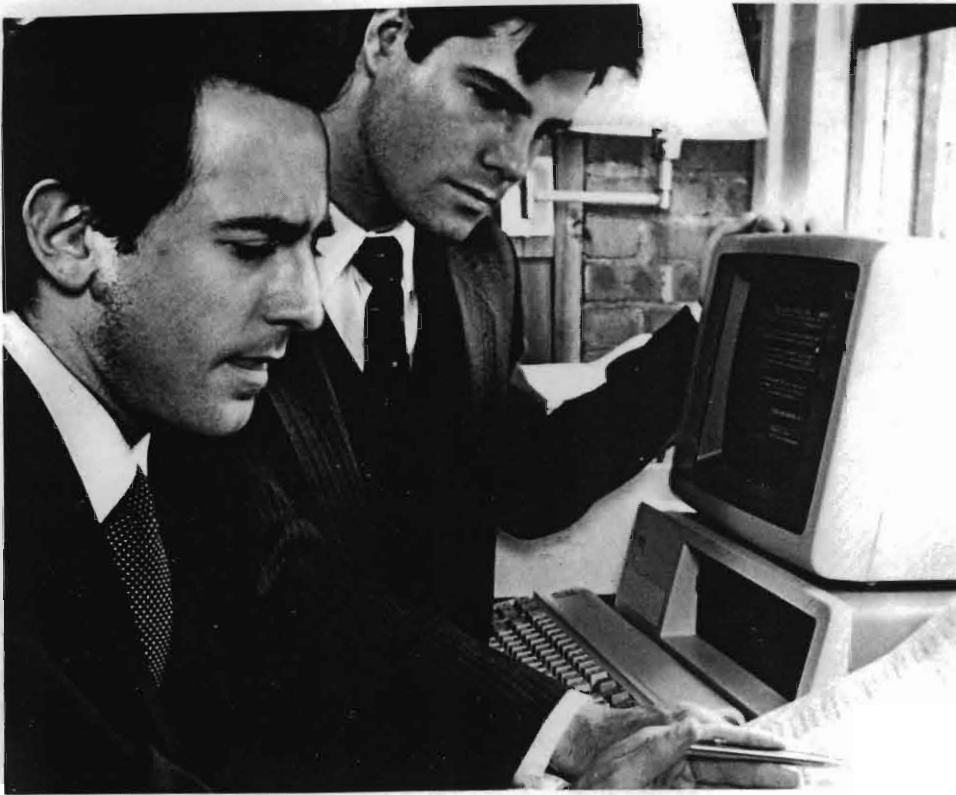
It is easy to forget about the National Guard in times of tranquility but in times of trouble we are proud and pleased to know it is there. During Hurricane Gloria's visit to the state, 1,000 guardsmen and women were called to duty and helped maintain order during an extremely trying time.

Some years ago, it was fashionable to write books forecasting the decay of western society and a return to the lawlessness and violence that reigned in a much earlier time.

I do not want to see a future like that. I want New Jersey 2000 to be a safe place. I want parents to know they can raise their children without fear.

We have the framework in place to do this. Join with me to make the changes we must to ensure that New Jersey 2000 is a safe and secure place.

GOVERNMENT/MANAGEMENT



We should take time every so often to examine our democratic process with an eye toward its improvement.

We have a good government in New Jersey, but one that could be made better. Earlier in this message I asked you to pass legislation giving our citizens the right to initiative and referendum.

This bill will open our democracy to more people and will make government more responsive. I hope you will not succumb to the pressures against the bill and I hope you pass it.

But there are other changes I hope you will make and they all have the same goal as the initiative and referendum legislation: to give New Jersey's people a greater say in their government and, by doing this, make that government better.

For instance: In 1988 both parties will be nominating candidates for the presidency.

In recent years, New Jersey's June primary has generally made us irrelevant to the selection of the national candidates for the presidency.

In three years, both parties are likely to have fiercely competitive races for the nomination, and New Jersey should play an important role in deciding who should get each party's nod. We are a state that plays a leading role in so many other walks of life; I see no reason to take

a backseat in the nomination of presidential candidates.

I would therefore suggest that the Democratic and Republican Chairmen each appoint three people to a committee to consider an appropriate date for the New Jersey presidential primary. It is my hope that this bipartisan committee could report to the legislature immediately following the appropriations break. Action this spring by the legislature should follow. New Jersey citizens should play a major role in the selection of the next president. I believe the nation will benefit.

If we are truly committed to a responsive democracy, there are two other changes I believe we should make. I believe we need to revamp the way we publicly fund gubernatorial elections and the way we elect state senators.

In two years, all our senators will run for office. Those wise men and women who devised our form of government looked on the Senate as the more deliberative body. Thus they tried to insulate them to some degree. They are certainly not insulated when the whole eighty member body faces election the same year. I suggest that we look for a system following the next census to stagger the elections of state senators.

I have in the past called for changes in the gubernatorial financing laws. I call

on you again to make those changes.

The cost of campaigning in New Jersey has gotten substantially more expensive since the first public financing law was enacted. It is an unfortunate fact of life that New Jersey candidates must purchase most television advertising from stations in New York and Philadelphia. These are two of the most expensive markets in the country and promise to become more so as time goes on.

Given this, I would like to raise the current ceiling on campaign spending from \$2.25 million to \$4 million.

And I would also like to raise the threshold for qualifying for state funds. The current threshold is \$50,000. I believe that is way too low. I believe it would be prudent to raise it to \$200,000. Marginal candidates should not be funded with taxpayers' funds unless they show they can raise substantial funds on their own.

In 1981, the state distributed nearly \$9 million to 16 candidates in either the primary or general elections. Some of these candidates may not have run or may have ended their campaigns sooner if it were not for the relatively easy availability of taxpayer funds.

I strongly support funding to ensure that money does not stand in the way of any tenable candidate. But I also believe, with equal conviction, that public funds



should only be spent on candidates who have demonstrated they have a real chance of winning a statewide race.

There is one more change I would like to make, and that is the way the state matches funds raised. As you know, the state now gives \$2 for every \$1 raised. I believe that this should be reduced to a \$1 for \$1 relationship, with a \$250 limit on the state match to individual contributions.

These changes will diminish the impact of large "fat cat" contributors, while magnifying the influence of participation by the "little guy." They would make the system better by making it fairer.

Fairness is at the heart of another change I support. Twice in the last ten years New Jersey has ended up in court, while its major parties brawled over the redrawing of its congressional districts.

Partisan efforts too often reduced the process to naked gerrymandering and left our congressmen with absurdly drawn districts like the "fishhook" and the "flying duck."

There is a better way, and it is included in legislation proposed by Assemblyman Robert Franks. That bill would create a special commission to draw the boundaries based on sound public policy considerations and protect the public's right to fair representation from the whims and caprices of partisan

politics.

I strongly urge you to pass this legislation. We know it works because it is the way we draw our legislative districts. It is not a perfect system but it is a vast improvement over the current method.

"I believe New Jersey should have an elected Lieutenant Governor."

I would recommend one final change. I believe New Jersey should have an elected Lieutenant Governor. This position should be elected as part of a ticket with the gubernatorial candidate. New Jersey has been blessed with healthy governors who have all served out their terms. But someday, hopefully far in the future, that will not be the case. At that time, I believe the state would be well served by a person who has had some experience functioning as a Lt. Governor and who had been elected to his or her position by all the state's people.

It has been said that in a democracy people get the government they deserve. New Jerseyans have been strong participants in choosing their leaders and shaping public policies. These changes will give the people a larger say.

We must give our people a lean, efficient and responsive government

they deserve. Our ability to do this is hampered by a crippling, obsolete civil service system.

This system is a dinosaur. It hasn't been changed in eight decades.

1908 was a great year. William Howard Taft captured the presidency, the Cubs last won the World Series and a newspaper cost a penny. It was also the last time New Jersey reformed its civil service.

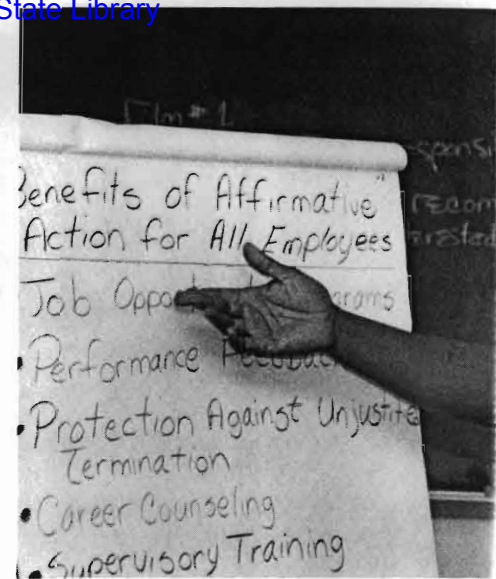
Our civil service laws were adequate back then, but the world has changed. The legislators who wrote those laws would not recognize the society we live in.

The 1908 laws were meant to make New Jersey's government work efficiently, quickly and inexpensively. They were designed to put civil service above political patronage.

The system is no longer capable of doing the job. It is byzantine. It is archaic. It is unwieldy, slow, sloppy and arrogant.

Conspicuously lacking is the concept of merit. In private business, merit is the key to advancement. If Smith sells more shirts than Jones, he is made manager. If Sally wins more cases than Jane, she is made partner.

But like Alice's Wonderland, all is stood on its head in our current civil service system. When merit raises are awarded, everyone gets one, on the assumption it is deserved.



It is not. Ask any state worker to point out the hard workers in his or her department. Why should the best be rewarded on par with the worst?

The answer, of course, is that it should not happen this way. It could not happen this way if you were to pass the reform legislation sponsored by Assemblyman Anthony Villane.

This bill, which I have called on you to pass for the past four years, will provide us with a basis for the reforms we need.

It recognizes that our state workers must be protected from the whims and caprices of their superiors.

It also allows flexibility and efficiency. It reduces the clumsy 6,500 job classifications to a more manageable level.

It would create a Merit System Board to establish regulations for promotions and to review disciplinary actions.

And it would create a Senior Executive Service that would allow people to be promoted on the basis of job performance and their potential to be managers.

Our taxpayers deserve a more efficient government. Our taxpayers deserve more economical government.

I am deeply committed to this concept, as I have already made clear in discussing the needed changes at the Division of Motor Vehicles.

Good government is not the stuff of partisan wrangles. Efficient government is not the fodder for political fights. We owe it to the taxpayers and citizens of this state to give them the best functioning government we can. I look forward to signing this legislation this year.

Despite problems with unwieldy bureaucracy, we were able to make giant steps forward this year.

We have extended the number of people who are being trained in our Certified Public Manager program. More than 4,000 have been trained to serve the public better, and happily I am able to report that a good percentage of these people are women and minorities.

We operate in a seven-state consortium and New Jersey is looked upon as the leader for training its own workers. As a result of its success, the program is being extended to local governments on a grander scale than in the past. Where some 50 local managers per year attended these courses in the past, some 250 will now attend. The result will be the increased professionalization of the civil servants around the state.

Our state workers deserve decent working conditions. Many of our departments have outgrown their obsolete quarters. To correct this, we have begun a building program that will give our state employees the room and working conditions they need—and that will help bring vitality to downtown Trenton.

*"Our taxpayers deserve a more efficient government.
Our taxpayers deserve more economical government."*

Four major office buildings are underway, changing the face of Trenton and providing space for the Departments of Environmental Protection, Commerce, Transportation and more room in a new General Office Building.

All four buildings are on or ahead of schedule and at or below cost. By the time they open, 4,500 state employees will have new homes, a tribute to the great job done by the State Building

Authority.

The new quarters will help make it easier for state employees to do their jobs well. The advent of a sophisticated computer and communications network will increase their productivity and efficiency still further.

There is a revolution in communications within the state going on, with the computer the chief weapon. The problems of the Division of Motor Vehicles obscured the great successes we had elsewhere, especially in the Office of Telecommunications and Information Systems.

When I took office four years ago, state government kept many vital records with pencil and paper. Our efforts at automation had been few and isolated.

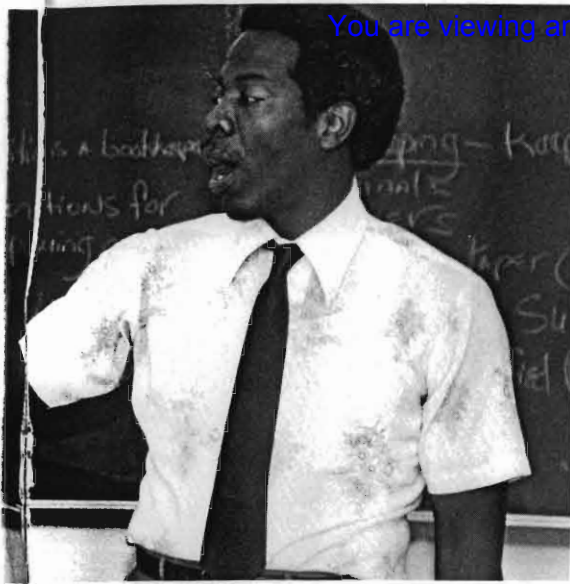
OTIS was the answer and last year began making its presence felt. Where we once had five computers that could not talk to one another, we now have a temporary link created by OTIS that will allow the Departments of Labor, Law and Public Safety and Treasury to communicate. This year we will add Human Services and Transportation to the network.

The temporary link has already saved us several millions of dollars, but the best is yet to come.

This past year we broke ground on OTIS' permanent quarters. When it is complete, and when all our departments are wired to the hub, we expect a state-of-the-art system that will allow any sort of data to be transmitted.

Five different systems will be united through a fusion of microwaves, long lines and satellite transmissions. This will ultimately be expanded from 50 to 250 per year.

Within three years this network will be fully operational. Voice, data and image transmissions will be possible.



New Jersey state government will have the technology capabilities to carry itself into New Jersey 2000.

The changes we make today will benefit us tomorrow. Join with me in giving the citizens of the state of New Jersey the smoothest running, most responsive and most efficient state government in the Union.

New Jersey has always stood in the vanguard of changes to ensure equality for its citizens. This has been true whether the issue has been voting rights, integrated schooling or pay equity.

Discrimination is an age-old problem. We in New Jersey have taken important steps to blunt it.

We have established a special project involving all state employees to eliminate the misconceptions and misunderstandings that may occur between people of different backgrounds.

This program—the New Jersey Affirmative Action Program—is the first of its kind in the country. It is ambitious, its goals lofty. But it will succeed because of the kind of people who work for the state and because we all want it to succeed.

This program features small groups of state employees meeting for a full-day workshop. These groups of 15 to 25 people meet to discuss their views, air their gripes, talk about their goals and try to gain insight into each other and the state's commitment to equal opportunity and affirmative action.

All state employees will go through these sessions, but the program, like our commitment, will not stop there. The program will also be available to new employees as they enter the state's workforce.

The result is people who now understand a bit better than they did

before how their colleagues look at things and perhaps regard their fellow workers with a bit more respect and compassion. With this project we will have moved beyond the letter of our civil rights laws to the spirit and intention of those laws.

Improving relations between workers is only one piece in the puzzle, adequate and fair pay is another. I am particularly proud of the work of the Task Force on Equitable Compensation.

The Task Force's study, released last year, concluded that a disproportionate number of women and minorities are at the lowest end of the spectrum of the state's payroll.

The Task Force made two recommendations, for short-term relief and a long-term remedy.

Led by Assemblyman Walter Kavanaugh and Senators Donald DiFrancesco and Wynona Lipman, you then passed legislation that would appropriate \$7 million to raise the salaries of more than 9,000 of our lowest paid public servants. I was proud to sign that legislation.

You, the Task Force and I are not done. The Task Force has hired a consultant to recommend permanent answers to the vexing problem. We simply must not countenance any prejudice in government service, be it racial, religious, sexual or age related. The only appropriate form of discrimination is discrimination based on merit and ability.

Civil service reform and affirmative action programs make government work better. As we move closer to the next century, we need a state government that is talented and efficient and can devise solutions to the complex problems before us.

I have spent most of my life in

government. I believe that government service is one of the finest occupations to which a young person can aspire. But we have to make sure that talented young people are given the opportunity to learn about the fascinating nature of government service.

Too often, talented young people are deterred from government because pay scales are higher in the private sector or because they are unable to obtain challenging positions soon after graduation from college.

Today, I propose the creation of a Governor's Fellows program. We will offer talented college graduates positions as assistants to Commissioners, Assistant Commissioners and other key government officials. Entry standards will be high to limit the program to the

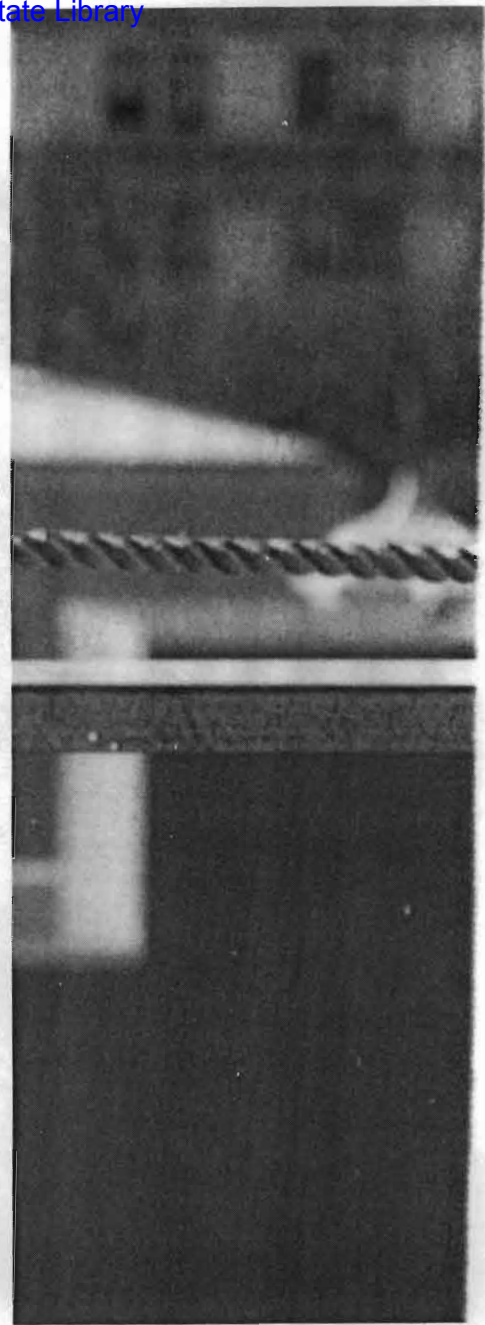
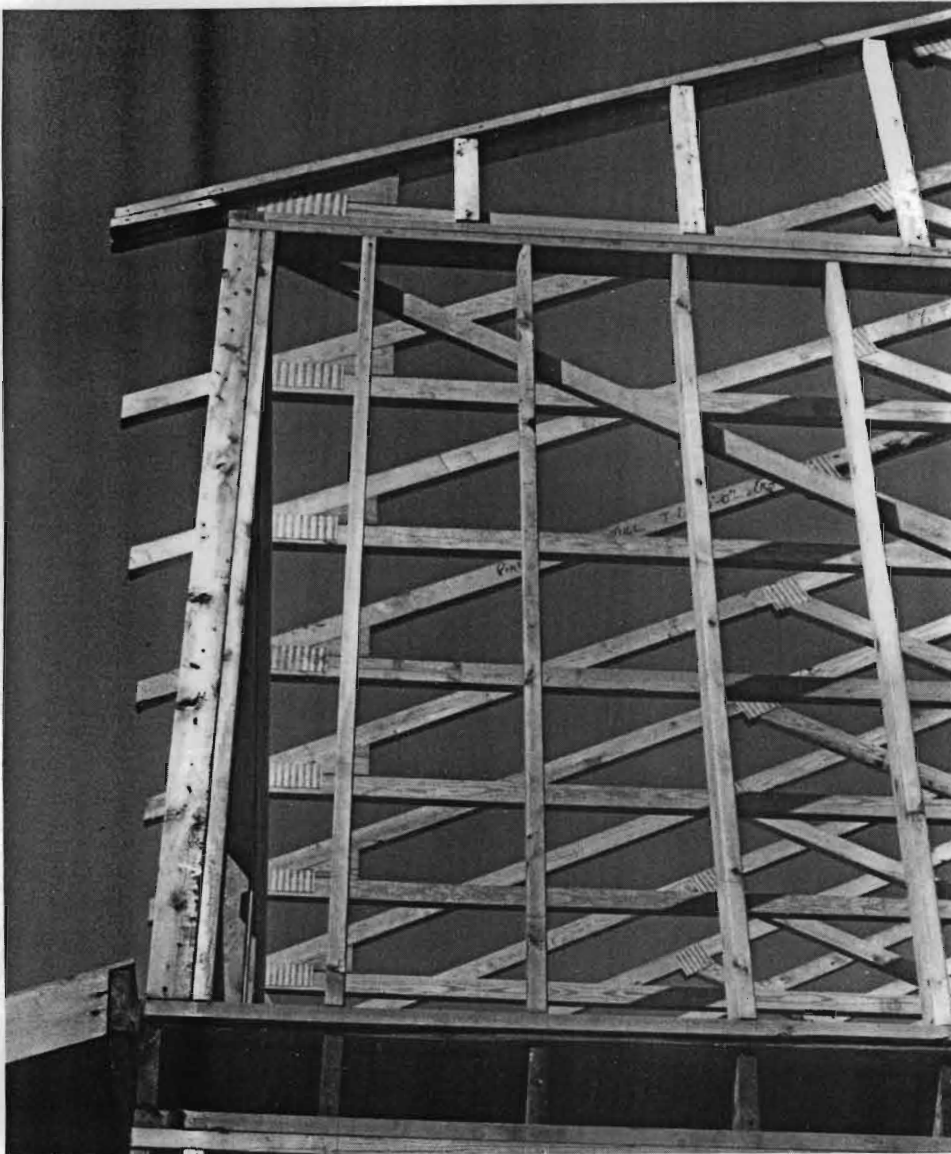
"We simply must not countenance any prejudice in government service, be it racial, religious, sexual or age related. The only appropriate form of discrimination is discrimination based on merit and ability."

most talented graduates.

The program will be modeled after the prestigious White House Fellows program and a similar one in New York City. These programs have been effective in attracting young talent into federal and municipal government. Forty percent of the recent participants in the New York City program decided to continue working in city government after their fellowships ended.

I believe a Governor's Fellows program will attract more bright and ambitious young people into state government. I hope you will approve such a program in the coming year.

HOUSING & COMMUNITY DEVELOPMENT



For more than 15 years the state has been wrestling with a fair and coherent housing policy. I believe that we are approaching the end of that debate.

Until last July, in the face of legislative inaction, housing policy was being decided in the courts. The result was the Mount Laurel housing decisions.

While no one favors exclusionary zoning laws, it is clear that the court-imposed solution, the so-called builders' remedy is unfair and impracticable.

That this "remedy" is a disaster for our towns is unquestionable. Towns incapable of handling vast numbers of new housing face a deluge of new units that threaten to overwhelm them.

The end of this chapter, though, has begun. Last July you passed and I signed the Fair Housing Act.

This crucial legislation took back the issue of housing law from the judicial branch to the legislative and executive branches of government, putting it back where it belongs — in the hands of elected officials.

It created a Fair Housing Council, which I believe will be far more adept at evaluating the abilities of any one town or towns to accept their "fair share" of low and moderate housing better than the judiciary can.

I believe the council will be able to draw appropriate plans for municipalities to accept their fair share of low and moderate income housing. I believe the council will be sensitive to the limits of available infrastructure and other unique local conditions.


This law gives the council a chance to be creative and flexible as it tries to solve

the dilemma of housing. It allows the council to calculate just what fair share is while allowing the towns themselves to decide how that fair share should be met.

And it allows our local elected officials to draw on a variety of plans and techniques to meet those needs. In short it is an excellent attempt to balance the countervailing pressures of home rule and regional planning. It is democratic rather than authoritarian.

We now have millions available to subsidize the construction and purchase of affordable housing and for the rehabilitation of existing housing.

Our towns must not zone out decent affordable housing. On the other hand, let us make it clear that we will not allow the rights of our towns and elected officials to be trampled by a combination of profit minded builders and an over-active



"Let us make it clear that we will not allow the rights of our towns and elected officials to be trampled by a combination of profit-minded builders and an over-active judiciary."

judiciary.

The proper place for making housing policy is in the Legislature. The courts asked the Legislature to act, and that is what the Legislature has done.

This was good legislation and a good start. It puts New Jersey in the forefront of creative housing policy in the United States. But we need one more piece of legislation to ensure our success. We need a constitutional amendment to clarify once and for all the role of the courts.

Our Fair Housing Council will continue to plug ahead. The first meetings have already been held and the story line of fair housing policies in New Jersey is being written.

One of the major actors in this drama will be the Housing and Mortgage Finance Agency. It will be the HMFA that will provide \$100 million of the financing for the Mount Laurel mortgages.

The HMFA is no stranger to large projects.

In 1985, the HMFA provided \$258.2 million to fund the purchase of nearly 5,000 homes and \$9.2 million to help more than 1,500 homeowners improve their residences. During the past four years, the HMFA has raised \$976 million to enable more than 17,000 New Jersey families to buy

homes and enabled 2,500 homeowners to fix up their existing homes.

And the HMFA has moved strongly to improve the availability of rental housing in the state. Last year the agency raised nearly \$200 million from tax-exempt bond sales to construct or rebuild nearly 4,100 housing units for our elderly and poorer residents. Since January of 1982, the agency has provided more than \$260 million to build or rehabilitate rental housing. We must continue along this path.

There is another area we simply must address. Little in New Jersey is more sacred than our venerable tradition of allowing each municipality to control its own destiny. I have always believed in and supported this notion, embodied in the phrase "home rule."

Economic and demographic circum-



stances, though, are now impinging on home rule's ability to solve problems. Some areas of the state like the Route 1 Corridor and the Monmouth-Ocean County areas are being flooded by new arrivals. The Hudson Riverfront, the I-78 corridor and the I-287 corridor are also experiencing explosive growth.

This is good. Growth means jobs for New Jerseyans, a higher tax base, lower municipal costs per capita and a flexibility that new revenue brings.

Rapid growth, however, can overwhelm our ability to plan.

We have to prevent this, and the only way we can is with fresh approaches and imaginative thinking. We have to look at old problems and come away with new solutions. As a state, we need better planning than we have today.

We took the first step when I signed legislation creating the State Planning Commission.

Too often we find the different arms of state government waving in different directions. Not a bad thing if you are waving to a crowd, but a terrible way to coordinate growth.

"Rapid growth, however, can overwhelm our ability to plan."

The planning commission was carefully designed to ensure it is effective while preserving local control. It gives the state a chance to be part of the solutions we face, not part of the problems. It is a "bottom-up" answer, not a "top-down" answer.

The planning commission gives

us a new ability to coordinate activities across departmental lines and gives local planners a reservoir of technical assistance and resources currently unavailable.

Let me give you a quick example. As things now stand, our state agencies use different ways to predict population growth. The result: each agency ends up with a different set of numbers. It takes little imagination to realize the confusion this can cause when trying to develop a coherent plan.

I am going to ask the State Planning Commission to sort this out. I want it to decide which method will be used to arrive at these projections and require each agency to use it. The counties must be ready to take on a more active planning role.

I urge the counties to update their



master plans and improve the capability for planning. If this is done – only seven counties have up-to-date plans now – there is a greater chance that the state and the counties will be more sensitive to each other's needs.

We want to move forward together. We want the counties to be a more important player in the game. To the counties I offer this challenge: update your plans and I promise you our support.

Those of you who are amateur photographers know that your pictures will be limited by the width of the lens. If you want to shoot a football game, for example, you need a wider angle lens than the one you use for the family portrait. The same is true in planning.

New Jersey has become such an attractive place to live and work that

"Frequently problems transcend any one town's border."

our newest developments tend to be spectacular in design, grand in scale and great in impact.

Our planning boards have done a good job up to this point. But these new developments are so big that they frequently spill over local boundaries and have a regional impact.

I believe the wide-angle approach might be appropriate and so I suggest that the State Planning Commission ask the counties to adopt a more active role when a project of such magnitude occurs. Neighbors should work with neighbors to solve their common problems. The State Planning

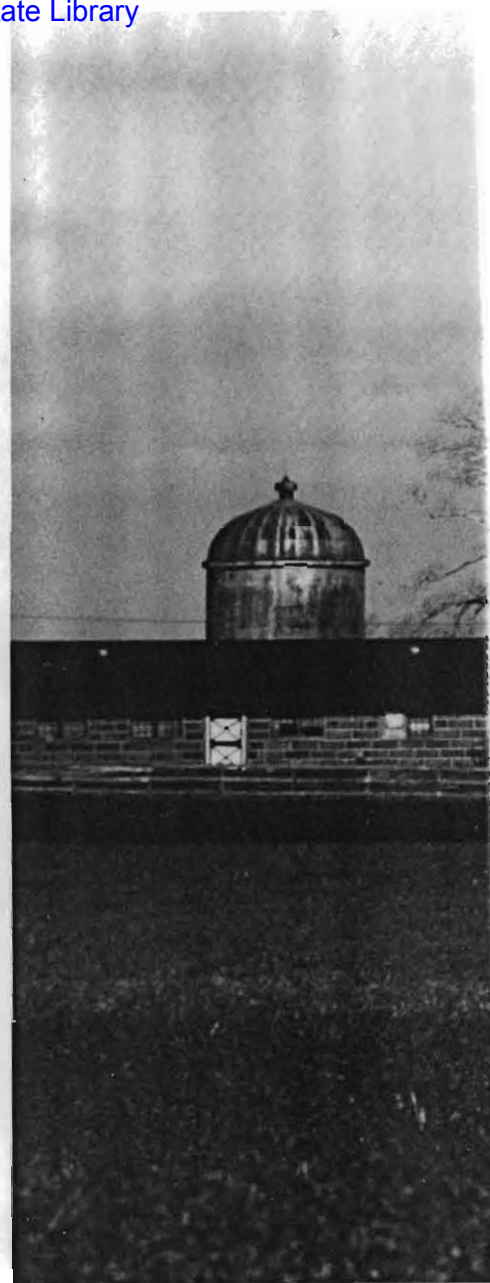
Commission should provide vehicles to assist the counties in achieving this regional county role.

We do not want to add a new layer of bureaucracy. We do not want to impose higher costs on developers. What we want is the counties to make life easier for everyone involved: themselves, the towns, the developers, the state, and most of all, their citizens.

Many of our problems are not unique to New Jersey. Many of our sister states have the same challenges and some have come up with intriguing solutions.

I will ask the State Planning Commission to study the successful strategies and report back, quickly, to my office and the Legislature.

Frequently problems transcend any one town's border. Meaningful transp



tation improvements rarely fit neatly within the borders of a borough. It would be beneficial to see how other states have met this issue.

Some have come up with the idea of transportation improvement districts, using special levies on developers to pay costs to solve the difficulties, an answer we might consider.

Assemblymen John Penn and Walter Kavanaugh have a bill that moves in the right direction. The bill allows counties to negotiate with developers for improvements along county roads. I want the State Planning Commission to study the bill and suggest whether the bill should be amended to give the state the same powers for state roads.

Finally, we must review the possible expansion of transferring development rights. The League of Municipalities, the Farm Bureau, home builders and others

all have unique perspectives that should be considered. I would like to see an accommodation reached so our developing towns can have this needed tool at their disposal.

During its work, I will ask the State Planning Commission to reach out to our corporate leaders.

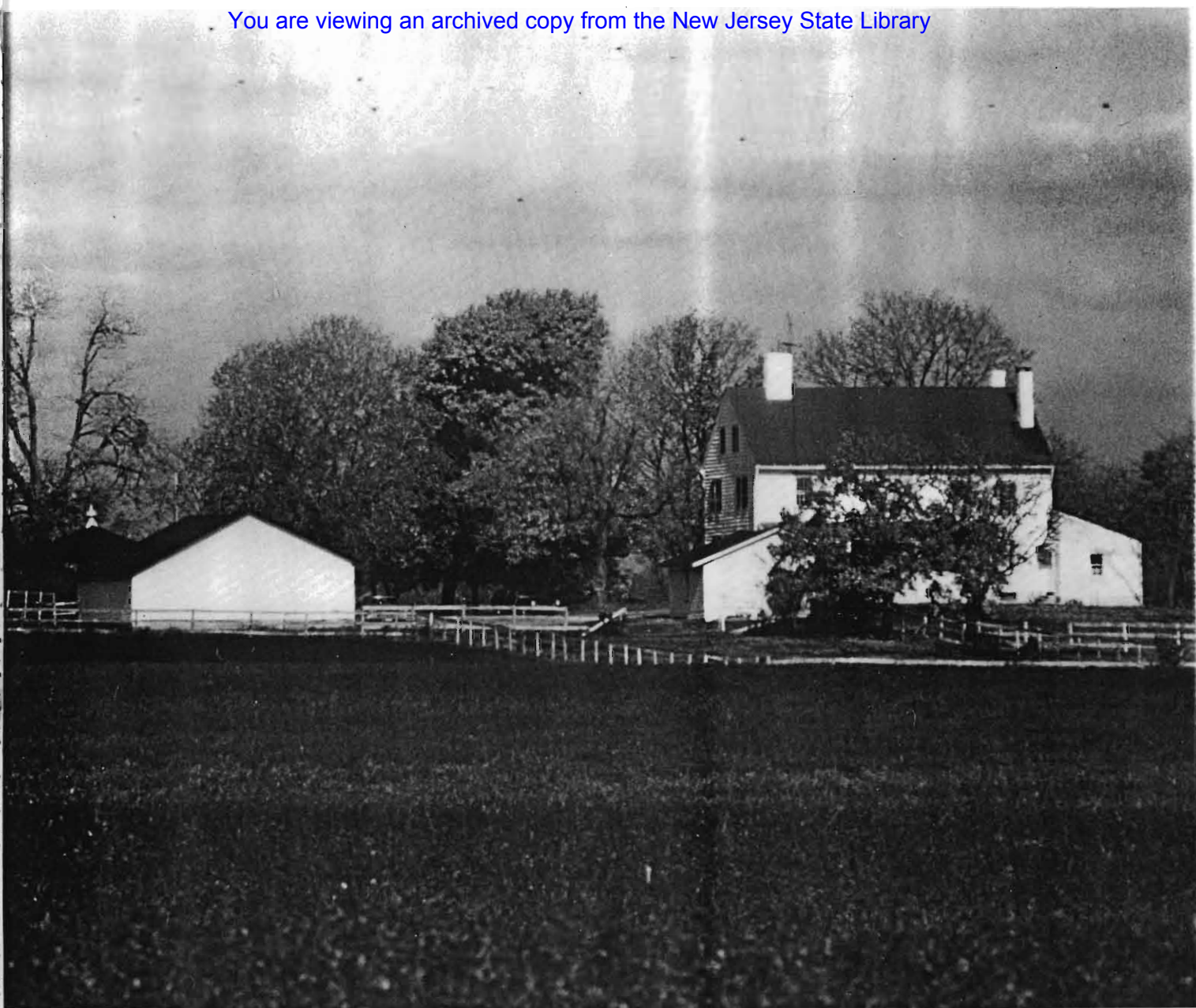
Executives at Nabisco, AT&T, Johnson & Johnson and others have observed that our current method of dealing with growth is inadequate to move us successfully into the 21st century. They believe that if we are resistant to change we will ultimately strangle our economy and hurt business in the state.

We cannot allow that to happen. New Jersey's future depends on future growth. If our growth depends on new planning initiatives, we must adopt them.

I am pleased to tell you that there is one area in which I can assure you of future growth.

Our "Jersey Fresh" campaign has made New Jersey agricultural products sought after by discriminating shoppers throughout the East Coast. The advertising campaign was so successful that a poll of consumers in the New York City and Philadelphia metropolitan areas and in New Jersey showed that 60 percent of the people asked said they would choose New Jersey products over any others if the choice was available. The 21 chains participating in the Jersey Fresh program have reported that sales of New Jersey produce have increased from 12 percent of total sales to 20 percent last year. Those stores believe that share will increase to 25 percent this year.

Agriculture is worth \$2 billion to \$3



billion to New Jersey's economy, and programs like Jersey Fresh help keep it healthy. But these are unkind times for farmers across the nation. In the face of healthy economic growth, we must remain the Garden State. Our farms must remain an important part of our economy.

Last year I formed an Agricultural Financing Task Force and asked them to report on the ability of New Jersey farmers to obtain financing.

The task force found that although the Garden State's gardens are diversified, some farmers will face a credit crunch this year.

We will carefully study the task force's recommendations. I am committed to keeping farmers behind the plow and the state green.

I believe this is an important social policy to pursue for New Jersey. That is

why we have invested so much in our Farmland Preservation Program, which I am proud to report yielded its first fruit last year.

Five farms in Burlington County became the first dedicated for future agricultural use. We are poised to welcome another developmental tract in another county, another step forward in keeping the gardens in the Garden State.

Whatever tribulations our farmers face seem to have not had any effect on our equine industry. Twenty years ago there were 18,000 horses, but today the number of horses has grown to more than 70,000. The state has played an active role in this growth and with its \$500,000 appropriation, the state will complete the first phase of the Horse Park.

Growth in this industry is especially appropriate for New Jersey. Our state

seal bears the visages of two horses reflecting the special relationship between the early New Jersey and the horse. It is gratifying to know that the horse remains important to New Jersey.

The state seal is a symbol of New Jersey's past and a symbol of New Jersey's future. It suggests the continuity of government, and in the case of New Jersey's government, progress.

Our communities face many challenges as they attempt to balance the twin goals of conservation and economic development. State government can help with these challenges by providing a way to coordinate growth. If we adopt the changes I have suggested today, we will take steps to ensure a healthy economy and strong communities in New Jersey 2000.

INSURANCE & BANKING

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Almost everyone in New Jersey is faced with an insurance problem of one kind or another. Auto insurance remains unacceptably high. Many towns and businesses can get no liability insurance at all or must pay rates so high that they cannot afford coverage.

Towns have seen their liability insurance costs triple and quadruple. Doctors are near to drowning in a flood of ever-rising malpractice insurance rates. Small businesses are threatened with closing their doors because they cannot afford the insurance protection they need. For the past four years, talking about auto insurance in New Jersey has meant talking about the extraordinarily high premiums our motorists have had to pay.

I am committed to reversing this crisis. New Jerseyans must be able to obtain and afford insurance.

We have made some progress in our fight to reduce auto insurance costs.

We have not had a general rate increase for nearly three years. As a result of the legislative auto insurance compromise reform which was passed in 1983, auto insurance policyholders now have the option, through different policy selections, to reduce the cost of their coverage by 25 percent.

The legislative reforms we implemented offer motorists increased deductibles, the ability to reduce their premiums through co-payment options and a more realistic suit threshold.

Insurance Commissioner Hazel Gluck estimates that New Jerseyans shared in \$8.8 million in premium refunds last year as a result of these reforms, and she believes additional savings will be available this year.

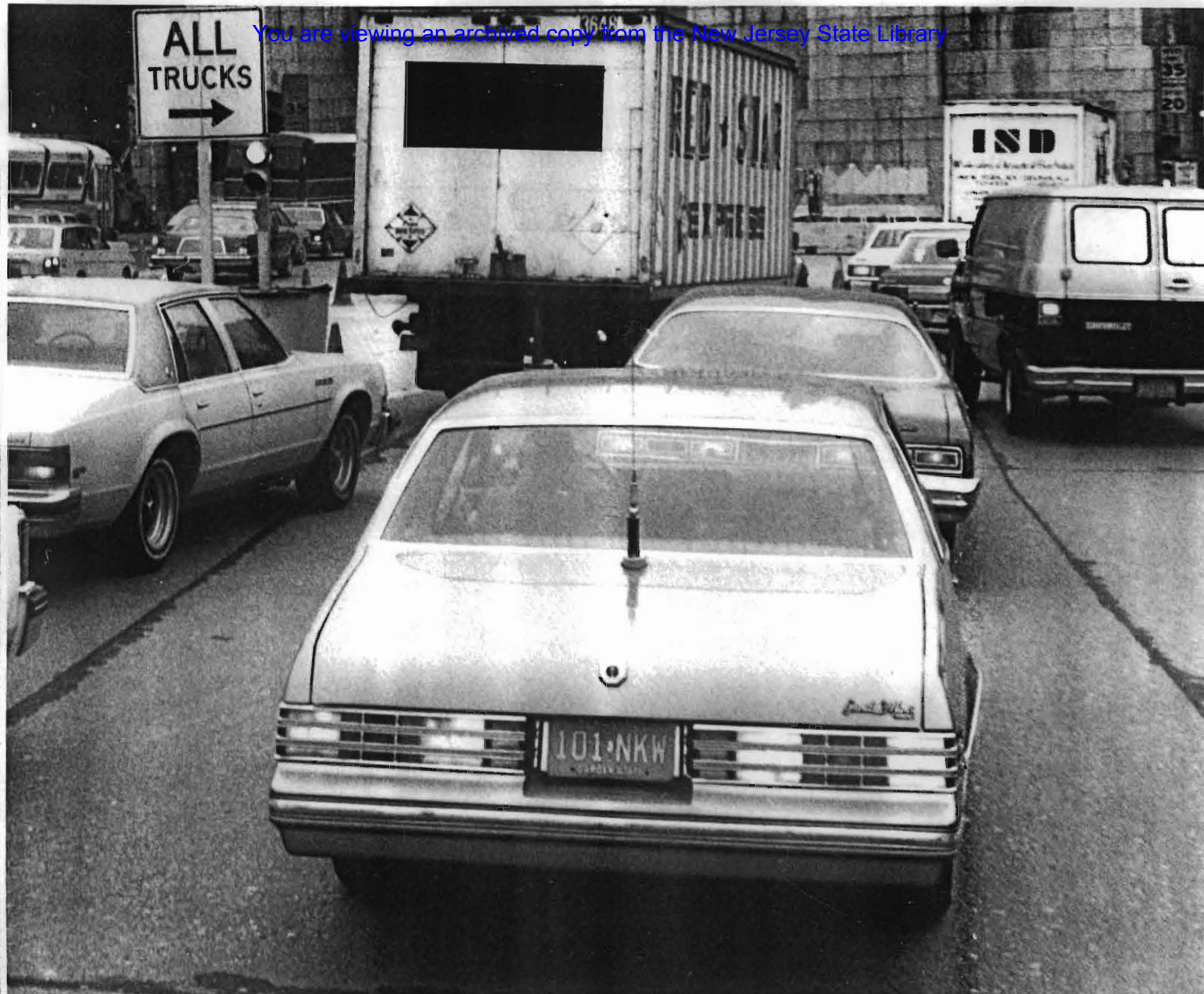
When this legislative compromise

was signed, we estimated that motorists could reduce their premiums by \$150. I am pleased to say that the average motorist who has chosen these options has saved even more.

It is important to remember that New Jerseyans may now purchase less coverage, but still retain the most comprehensive auto insurance in the country.

When I signed the 1983 compromise reform legislation, I said that it was incomplete and we had done only part of the job. I call on you to complete those reforms.

I have said it before and I will say it again. If we are to have any chance of stabilizing or lowering insurance costs for the average New Jersey motorist, we need to establish the Michigan verbal threshold for the so-called pain and suffering lawsuits.



Earlier this year a poll was conducted of these same motorists. The findings? Nearly 9 in 10 said auto insurance was too high and the same percentage said a verbal threshold would reduce lawsuits and premium costs.

"If we are to have any chance of stabilizing or lowering insurance costs for the average New Jersey motorist, we need to establish the Michigan verbal threshold for the so called pain and suffering lawsuits."

The federal Department of Transportation called for it last year, Consumers' Digest says we should have it and the man who invented consumer protection, Ralph Nader, supports it.

New Jersey's drivers want it and

New Jersey's insurers want it. The only people who oppose this reform are a small number of trial lawyers who realize their extraordinarily high fees will be a thing of the past if this reform becomes law.

There have been calls by some to scrap our no-fault system. Repealing the no-fault laws will not save money. A return to a tort system may very well increase auto insurance rates. I will oppose efforts to repeal no-fault. I urge you to reject the entreaties of the trial bar and pass a verbal threshold now.

At the same time, I believe, as I have said to you before, that we should establish a medical fee schedule. This fee schedule will fix the amount that doctors may charge for services rendered for the most common forms of injuries that result from automobile accidents.

The time to pass this legislation is

now. Insurance costs have been out of control for too long.

In 1983, we enacted a bill which ended the assigned risk pool for automobile drivers who could not obtain insurance in the voluntary market. Instead, these individuals were insured under a Joint Underwriting Association. The Association provides a fair system of providing automobile insurance coverage to all drivers who are unable to acquire coverage in the voluntary market.

However, there exists a potential for a shortfall in the funds administered by the Association. Last year, the Department of Insurance proposed legislation which was sponsored by Assemblyman Michael Aduato and Senator Chris Jackman. This bill would provide additional funds to the Association by establishing a program directed at chronically bad drivers. I urge



the Legislature to consider in this session necessary amendments to the Association law which would increase the revenues to the Association while containing its losses.

At a time when we must continue to overhaul our system of auto insurance, we face a much bigger challenge.

The commercial liability insurance market has turned into a nightmare for businesses and governments alike. In the past three years, bartenders, tavern owners, bus operators, truckers, commercial van fleets, municipalities, schoolboards, day-care centers and professionals—lawyers, doctors, bankers and engineers—have all seen their insurance bills climb explosively.

This is not unique to New Jersey. This is a national problem. A group of public managers polled last summer said that between 1984 and 1985 they had

watched helplessly as liability insurance premiums soared 150 percent.

Umbrella coverage soared still higher, with cost increases averaging 395 percent. The horror stories abound. Last year the state paid \$400,000 for \$3 million of coverage. We had paid only one quarter of that amount for over thirty times the coverage in 1984.

Things are just as bad locally.

In Elizabeth, the school board will pay \$151,000 for \$5 million in umbrella coverage; last year they paid one third as much for three times the coverage. When the Monmouth County Board of Social Services received its insurance bill, its director nearly went into shock. Why? The cost of insuring itself had jumped 4,500 percent.

There are several factors that have contributed to the present situation.

Sadly, much of the crisis seems to be

the result of the insurance companies' own business practices. A few years ago, they wrote large policies far lower than was prudent, prompting today's difficulties.

During the late 1970's, the insurance companies sought to take advantage of the high rate of returns investments were offering by trying to invest as much money as possible. On its face, this was not a bad thing to do.

The problem, though, was that they were getting a lot of this money by selling large policy coverages at an unrealistically low cost.

The economic climate changed and the companies had to raise rates dramatically to cover their actual losses and expenses. Some companies find themselves teetering at the edge of insolvency, victims of their own lack of judgement.



Another factor which has led to the dramatic rate increases is the alarming tendency of our courts to interpret insurance contracts to expand their limits. Court decisions have made it increasingly difficult for insurance companies to determine at the outset the maximum loss exposure presented by a risk. The judiciary must work to curb excessive and improper interpretations of insurance contracts.

Insurance companies use something called reinsurance to reduce their risk. A company providing primary coverage would purchase reinsurance from another insurer, thus maintaining only a small portion of responsibility for the policies it had written.

The combination of less investment income and more expensive court interpretation has led these reinsurers to stop providing coverage for the more

volatile risks. In other words, the insurance companies have lost their insurance.

We cannot stand idly by and allow our municipalities and citizens to be stripped of their insurance. Last September, I signed an emergency regulation that stopped the wholesale termination of entire lines of insurance and mid-term premium increases. This regulation prevented the insurance companies from cancelling the insurance policies of our businesses and our governments. It was the first action of its kind taken in the nation.

Though needed, the regulation was only a stop-gap and must not be looked on as anything but. We must devise a permanent solution to this problem. I have instructed the Department to investigate our options and present a report to me as soon as possible. In the

process, we must meet with all those involved so we can prepare the fairest possible solution.

The Department has also been meeting with the insurance industry in an attempt to establish a market assistance plan. This plan will help find coverage for hard-to-place risks.

We must also examine ways to give the municipalities some relief from the effect of these drastic premium increases.

In 1983, legislation was enacted which authorized governmental entities and school districts to form self-insurance pools. To date, a number of communities have taken advantage of self-insurance and realized financial savings. We will continue to evaluate the success of the pooling programs.

We must begin to consider whether we should allow our towns to exempt these increases from the restrictions



imposed by our budgetary cap laws. We cannot allow essential services like police or fire protection to be curtailed because municipalities must use that money to pay their insurance bills.

I also believe that the taxpayer should not be saddled with bearing the burden of paying those outrageously high premiums. Property taxes are far too high to foot the bill for one of the most liberal lawsuit jurisdictions in the country. We must take action to reduce the cost of insurance.

There is a special dimension to this crisis. Insurance companies have been loathe to write policies to cover the cleanup of toxic waste. They do not want to write pollution insurance because they fear they will have to pay out huge settlements.

The bottom line is that these changes imperil our ability to clean up toxic waste. We face an immediate problem in maintaining the insurance coverage we need to do this.

We have hundreds of sites that need to be cleaned up. Without insurance, those cleanups can stop or be delayed. Our ability to clean up these sites is essential to our future health. Ridding our citizens of the potential threat these

sites pose is essential to our future.

We have already begun to act, but we must do more.

"We must take action to reduce the cost of insurance."

We will clean up those sites. But unless we make certain that insurance is available, the most qualified contractors will be unwilling to clean up dangerous toxic sites.

This isn't fair. It isn't right. And so I will soon submit to you a package of legislation to keep the cleanups on schedule.

These bills will limit the liability of the state, municipalities and the contractors that clean up these toxic sites.

First, I suggest we establish a cap on the amount of money a plaintiff could recover from the state or a municipality. This cap would provide a fair and realistic recovery for the victim and will protect the taxpayers from catastrophic loss. I recommend that the damages collectible under the Tort Claims Act be capped in a manner similar to Pennsylvania, which allows recoveries of up to \$250,000 per person and \$1

million per occurrence.

Second, I want to limit in a similar fashion the liability of the contractors working on projects that have received approval from the Department of Environmental Protection and the Department of Transportation.

Third, we must establish a defined standard of responsibility for cleanup companies. Environmental statutes now hold these cleanup companies to a standard called strict liability. Simply put, it means that they can be sued even if they did nothing wrong while cleaning up a site. They just have to have been there.

Needless to say, this is a wide door through which all sorts of suits may rush. With such exposure, insurance companies are refusing to insure cleanup companies.

I propose that we change this to a different standard, negligence. Under the negligence standard, you can only be sued if you have done something wrong.

Last session you passed a bill which established a negligence standard for contractors working on hazardous discharge cleanups. I urge you to take similar measures to protect contractors



working on cleanups incidental to other projects such as those authorized by the Department of Transportation.

Finally, I will be seeking several other amendments to the Tort Claims Act allowing more protection for public entities and employees.

This legislation will limit the liability the state or local governments may face, and give added protection to the engineers and contractors who are cleaning up these sites.

While our pollution insurance problems demand and dominate our attention, there are other pressing matters before us.

We have a unique opportunity to help our doctors reduce the cost of malpractice insurance. This, of course, helps all of us by reducing a major reason for the rapid increase in health costs.

The American Medical Association (AMA) estimates doctors paid more than \$4 billion in premiums last year. Not only is this cost passed on to you and me, but doctors are not practicing what they call defensive medicine. Fearful of a malpractice suit, they perform extra tests to protect themselves.

The AMA says these duplicate tests

and extra consultations added billions—billions, not millions—to patients' bills last year.

In 1984, we convened a special task force of doctors, lawyers and insurance officials to study the problem. Last year, the task force released its recommendations. We believe those recommendations, if enacted, would go a long way to solving this crisis.

The panel made proposals that would affect the medical, legal and insurance industries. It suggested that the laws in New Jersey be changed in several ways.

For example, there is a legal concept called a collateral source rule which applies to insurance. Modifying this rule would preclude plaintiffs from recovering from two separate policies for the same loss.

The panel also suggested that we amend the statute of limitations for suits. The statute of limitations for adults should be limited to four years so insurance companies will be able to project their losses with some accuracy. The statute of limitations for minors could also be amended to provide a reasonable, but shorter, time in which to sue.

The panel suggested several other steps that could be taken. We could also eliminate the weakest malpractice cases early on in the legal process if we required plaintiffs to file affidavits of reasonable cause signed by a physician. We can decrease costs if we require cases involving claims of less than \$50,000 to go to arbitration rather than trial. And we could require changes in the way our doctors are trained, requiring medical students to take courses on ethics, risk management and the medical and legal issues of malpractice.

No one can escape some share of the responsibility for our insurance problems. Part of the problem is the result of bad management by the industry, another factor is inadequate regulation from the states and federal government. Part of the problem is the result of the way society has evolved, and part of it is a suit-happy legal system that encourages litigation and astronomical settlements.

New Jersey will work to end this insurance crisis. We are making sure that the Department of Insurance gets the tools necessary to protect the interests of the people of New Jersey. We are continuing to develop



state-of-the-art computer systems that will help us monitor the solvency of insurance companies.

In New Jersey as well as nationally, a great many insurance companies are teetering on the brink of bankruptcy. When an insolvency occurs, the protection and personal investment of the policyholder is lost. Insolvency has happened before and it will happen again, but with the proper tools, we will be able to minimize its impact on New Jerseyans. We are also providing additional equipment for the analysts who evaluate rate requests, to make certain that policyholders pay no more than necessary for their coverage.

This is a national crisis, not just a New Jersey crisis. Federal regulation of the insurance industry is minimal. I believe the federal government has a responsibility here.

There is no regulation of and no standards for the international reinsurance market. I have asked the National Governors' Association to investigate and I call on Congress to take whatever actions are necessary to protect our people.

At the federal level, the failure to pass a new Superfund law defining the liability of cleanup companies endangers our efforts as much as anything else. I call on Congress to act quickly on a Superfund bill removing strict liability for these companies.

We are going to attack the root causes of the crisis. We are going to make sure that insurance is available at an affordable price. We are not going to quit until the marketplace in New Jersey

has become sane again.

Insurance has been a volatile issue this year. There have been many changes made and many more to come.

The world of banking has also seen a great many changes, and, like insurance, more are also to come.

Nothing better illustrates how much banking has changed during the past few years than the signs outside most banks offering 24-hour automatic teller service.

Where green eye shades and sleeve garters were once the rule, the magnetic cash machine card and "bankerless" banking is the norm. Each of us has become more mobile, more pressed for time and more demanding. Banks have responded.

Expressions like "bankers" hours are obsolete; services are provided around the clock and new opportunities are extended practically every day. The banks have been able to respond primarily because of the marriage of high technology and deregulation. Together they have changed the banking terrain and I am glad to say that New Jersey sits atop the high ground.

I believe that New Jersey is ready to climb to an even higher plane this year. We will build on this past year's strong performance and couple it with new laws

"We are not going to quit until the marketplace in New Jersey has become sane again."

that spur growth.

Last year was another good year for

our banks. Five banks and one savings and loan were chartered, a performance unrivaled except by the preceding year when seven new institutions were created.

Our banks and savings and loan institutions reported an increased return on assets, the second year in a row in which we grew.

Our existing banks grew and new banks are opening their doors because of New Jersey's strong economy. Bolstered by the state's low unemployment, high per capita income and progressive tax reforms, the banking industry is enjoying tremendous growth. The strength of our financial institutions is a reflection of the state's economic well-being.

Changes are coming, though. We welcome them, especially the development of interstate banking. Last June the U.S. Supreme Court ruled that neither the Constitution nor federal law prohibited states from forming regional banking compacts.

New England and some southern states have already done this. We anticipate New Jersey creating its own regional compact during the coming year.

Two pieces of legislation must be passed for this to happen. These measures, which are supported by the banking industry and the Department of Banking, would allow out-of-state banking entities to acquire banks in New Jersey and allow New Jersey banks and bank holding companies to do the same in other states. The legislation would also open the region to nationwide banking once 13 states, including four of the 10 largest deposit-holding states,



have enacted similar legislation.

I believe that the state has a compelling interest here. I believe that the Department has an important role to play in protecting the public's interest. So I urge you to pass the companion bill, which gives the Department of Banking power to oversee and regulate even out-of-state entities if they seek to control New Jersey-chartered banks.

This legislation will also help solve a vexing problem created by a loophole in federal banking laws. This loophole, essentially, allowed out-of-state banks to gain a toehold in New Jersey by qualifying as a "non-bank," offering limited banking services.

I do not believe this is the proper way to introduce interstate banking to New Jersey. Last year I signed legislation declaring a moratorium on the establishment of these non-bank institutions. This moratorium should be extended until we have laws in place governing this new kind of banking.

Bankers are known for their prudence and caution. Governors can be the same way. For this reason the Department will conduct two surveys this year.

In the first, the Department will find out what services our banks now offer to consumers and at what cost. In the second survey, the Department will examine what out-of-state banks are operating in New Jersey and how great the scope of their operations is. Using this data the Department will be able to make policy on sounder footing.

There remains another issue affecting this legislation. Simply, it boils

down to how big can any one bank get in the state.

Existing law does not allow any one bank holding company to hold more than 20 percent of the average aggregate commercial deposits in New Jersey, but growth above that limit has begun to occur because of an exception in the law.

Last year the Banking Department recommended that the exception be eliminated and that a cap be reimposed at a somewhat higher level. These developments have sparked a flurry of conflicting bills and litigation.

I expect that under the able leadership of Mary Parell a compromise can soon be reached.

When Commissioner Parell assumed her post, she said she would be a watchdog for the consumers of New Jersey and she has done an admirable job.

Last year I signed a bill which gave our financial institutions the ability to extend flexible credit for personal, family or household reasons. Another bill I signed clarifies the liens placed on mortgages and reduces the cost of refinancing a mortgage. I thank you for working with me on these important pieces of legislation.

I signed legislation which requires banks to provide written disclosure of their checkhold policies. I expect that this disclosure policy will greatly help consumers to "shop around" for the kinds of services that suit their needs.

And our Department continues to scrutinize the interest charged to New Jerseyans on consumer loans. Each year the Department is required to take a new

look at interest rates charged on all kinds of consumer loans. It believes the majority of our financial institutions are being responsive to the market needs and that credit card levels are consistent with market conditions.

These banking changes help set the stage for us. You frequently hear people talking about infrastructure. They are of course referring to the roads and sewers and water mains needed to support towns and cities. It is, if you will, the guts

"A strong banking system provides the financial foundation necessary for growth."

of any town.

Banking is sort of like that, too. A strong banking system provides the financial foundation necessary for growth. It underpins all progress by providing the capital needed. It is, if you will, the guts of all development.

With continued deregulation and with the onset of interstate banking, together with a strong Banking Department to ensure a sound financial industry, we will have updated our financial infrastructure. True, you can't see it like you can when they repave a road or build a bridge, but it is just as necessary to our future growth.

With these changes, I will feel confident that we have prepared New Jersey financially for the 21st century.

TRANSPORTATION



We moved fitfully on our roads last year. We started. We stopped. We crawled forward, snaking our way past waving flagmen and crowding into single lanes. We inched past earth movers and cranes and steamrollers.

This was good news. Those delays were the most tangible proof that the most ambitious and important highway, bridge and road project of this century, the Transportation Trust Fund, is succeeding.

When I introduced this program to you, I argued that it was essential to the economic health and commercial well-being of our state. That argument remains true today. A first class road

"When I introduced this program to you, I argued that it was essential to the economic health and commercial well-being of our state. That argument remains true today."

and mass transit system is an irresistible attraction to business and contributes greatly to a high quality of life for New Jerseyans.

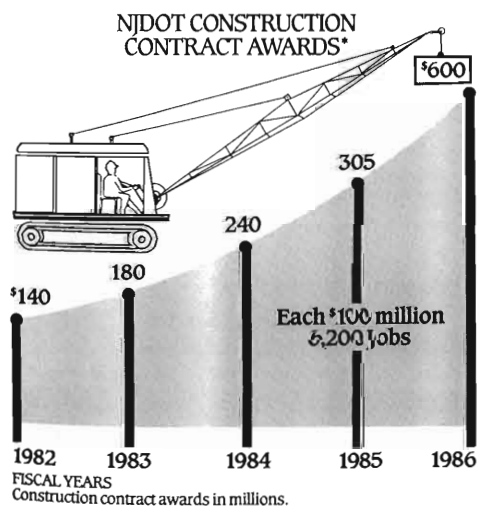
We are now in the second full year of the Trust Fund's existence. By the end of this fiscal year in June, the Trust Fund will have paid for nearly \$1.6 billion

worth of projects.

Last January, the authority sold its first bonds and the sale exceeded our most optimistic expectations.

The authority approved the sale of \$61.2 million in bonds ranging from 4.75 percent to 8 percent, the highest ratings for non-general obligation bonds ever issued by a state agency. This means we can continue the program with confidence while saving the taxpayers' time and money.

We used this money with federal funds to pay for projects the length and breadth of the state including \$50 million to resurface highways, \$199 million of bridge work and \$54 million



on county or local roads.

What has the state gotten for its money? A lot.

This year, for the first time in a generation, we began filling in the missing links to our highway system. During the summer I proudly snipped the ribbon to open a new section of I-78 in Union County and then this fall I repeated this procedure at the opening of seven new miles of Route 55 in Gloucester County.

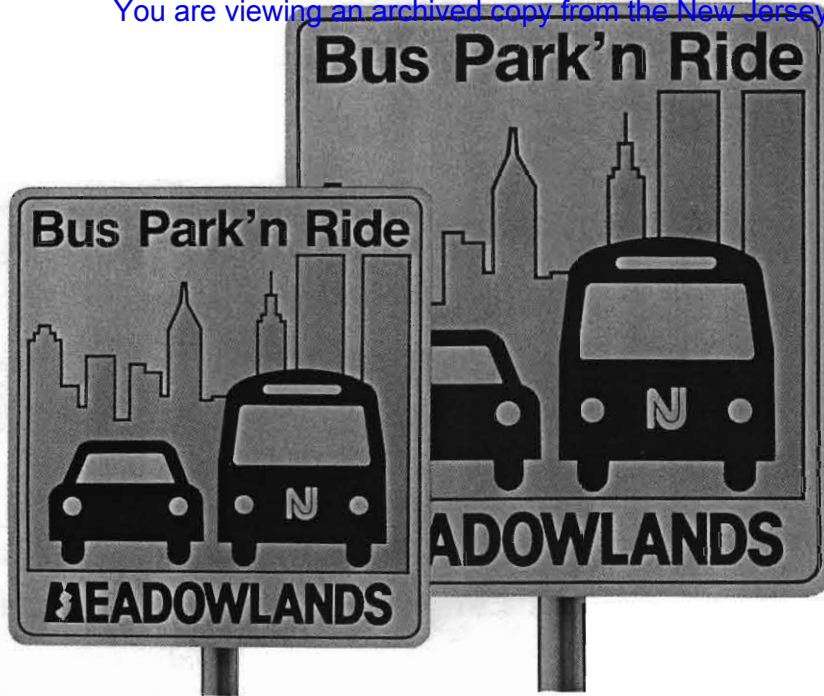
These projects not only fulfilled a promise to residents in those areas, but also proved the promise of the Trust Fund.

Not only were construction jobs

generated, but these projects helped open areas to the prospect of increased prosperity. Route 55, for example, will provide, when it is completed, the key-stone for growth throughout Cumberland County, Gloucester County and the rest of South Jersey.

One of the most important roads still not completed is I-287. Now it ends abruptly in Montville. But we have obtained \$61 million – an increase of \$37 million – in federal funds to purchase the needed right-of-way to extend the road to New York.

While our construction crews filled in these missing links, other crews began one of the most complicated bridge



repair programs in the nation. They began the rehabilitation of six bridges on I-287; a difficult enough task in its own right, but did so without closing the roads at all.

This money has given us a chance. This money has given us the opportunity to make repairs that should have been made before and is giving us the chance to make repairs to prevent future problems. We were able to resurface major roads in Freehold, East Windsor, Dennis and Peapack-Gladstone.

We were also able to make sure our roads are safer and well designed. We rebuilt Korman's Corner in Berkley to make it safer, began work on

improvements at the Eatontown Circle and finally completed the dualization of Ocean Boulevard in Long Branch.

In 1985 we opened the new Route 130 over the Rancocas Creek and completed a brand new Great Channel Bridge. We used some of that money to re-deck bridges on I-80 in Sussex and Morris counties.

Baseball players like to talk about streaks. Winning streaks, hitting streaks, streaks of scoreless pitching are all duly noted.

We had our own streak this year in New Jersey. When this fiscal year comes to a close, it will mark 33 straight months that NJ Transit did not raise its fares.

Joe Dimaggio may have been proud of his 56-game hitting streak, but this is the kind of record of which a governor can really be proud.

I am proud because we were able to keep the fares stable for good reasons. Our ridership was up, our efficiency better, our overall product – safe, efficient and clean public transit – was better.

All this good news will not continue if the federal government refuses to maintain its commitment to mass transportation. Our Congressional delegation should work, as it has in the past, to ensure that this job-creating investment continues.



That product is going to get better this year. We have begun \$96 million of improvements on the North Jersey Coast Line. That money will electrify an additional 16 miles of the line through to Long Branch, and replace ancient signals and bridges.

In April, we were able to reopen a completely renovated Broadway Bus Terminal in Paterson and during the summer the federal government approved the purchase of 250 new buses for use by NJ Transit and private carriers.

If we are going to get people out of their cars and onto the buses and trains, we must give them a place to put their

cars. Assuming this, NJ Transit began a statewide expansion of park and ride facilities that will add space for 9,000 more cars.

NJ Transit was able to claim credit for opening a 215-car lot in Brick and a 1,750-car lot at the Meadowlands. And to make commuting easier, new ramps are being built at the Metro Park lot, joining it to the Garden State Parkway northbound.

We extended another streak this year. Newark Airport continued to grow mightily. Newark is the fastest growing airport in the New York metro area and is now the 9th busiest airport in the world.

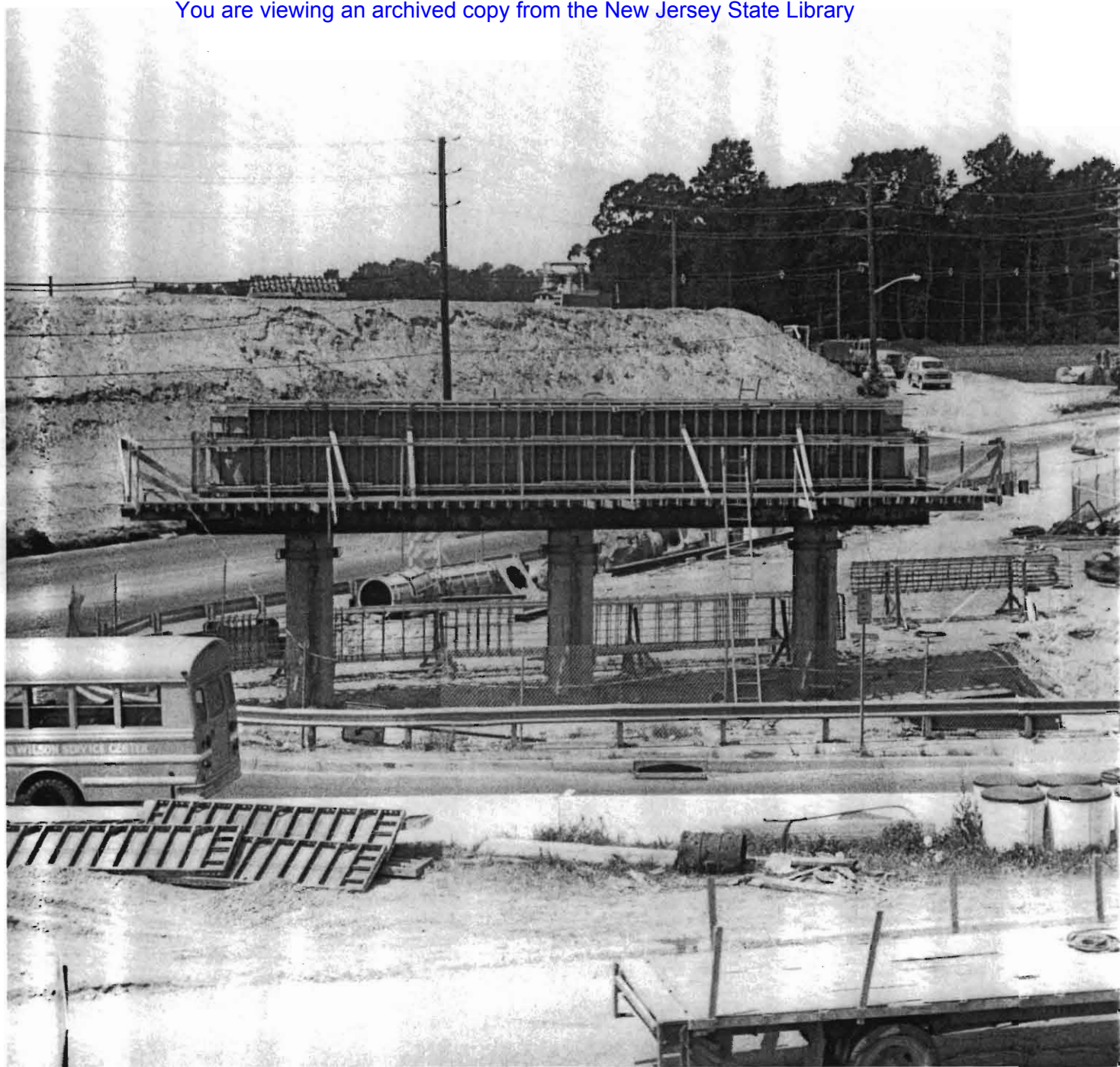
The rise in passenger traffic at the

airport has been explosive, so strong and swift that Newark will soon supplant Kennedy in New York as the area's busiest airport. Passenger traffic has jumped 36 percent since 1983, pushing Newark ahead of LaGuardia.

There is a cloud in this otherwise silver-lined report about Newark. The airport has just about reached the saturation point for growth.

Work is nearly finished on Terminal C, the new terminal for People Express. We need that project badly if the airport is to continue its expansion.

We will need still more improvements to keep Newark Airport running smoothly and at peak efficiency. I am



asking the Port Authority to look into the possible extension of PATH from Newark, the construction of a "people-mover" and continued improvements in parking at the airport. Failure to make these improvements will choke off the airport's growth.

Our agenda was ambitious. This year promises to be equally so. We will continue to repave and re-deck and rebuild.

Roads like Route 55 and I-78 will continue to progress. We will move closer to completing our interstate system around Trenton.

We will continue work on Route 18 in Monmouth County and Route 24 in Morris County, while rebuilding Route 152 in Atlantic County. We will begin

*"Our agenda was ambitious.
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re-deck and rebuild."*

major construction on Route 1 this spring.

But our most exciting initiatives will take place in the realm of public transit.

Just two weeks ago, I announced a major program for the Hudson waterfront. The essence of the plan is that we will be putting in place the means to move hundreds of thousands of people efficiently, cheaply and quickly.

With this ability, we will be able to

open up our Hudson waterfront to major development. With this system, we will be providing the underpinning for 20 million square feet of office space and 30,000 new living units. With the new mass transit potential we will unlock the door to an expected 100,000 new jobs for North Jersey, 30,000 of them alone in Hudson County.

When you see the trolleys run again in Hudson County you will see prosperity rolling down the track for the Hudson riverfront.

This will not be cheap. We expect the cost to run into the hundreds of millions of dollars. But the cost will be shared by the Port Authority, the state and private developers.



The French, I believe, are generally given credit for the expression "the more things change, the more they stay the same." How true this is.

When New Jersey and America first surged toward industrialization during the 19th century it rode the back of the Iron Horse.

In recent years, the Iron Horse was said to be headed for the scrap metal glue factory, a victim of the automobile age.

But as I look to the future of South Jersey, I see the railroads once again playing a key role.

This year we will begin the task of restoring passenger rail service between Atlantic City and Philadelphia. The benefits of this are obvious with

the most cursory of glances.

This train will provide commuter and intercity service between the two cities. Not only will it funnel thousands of tourists into Atlantic City, the commuter service will open up the Atlantic City job market to those who might not otherwise be able to get to Atlantic City.

These new transportation options represent our future. New Jersey is going to continue to grow. We will continue to attract business and people.

Our challenge is to find the way to move people efficiently and inexpensively across the state.

Consider the human body. Your bones – your rib cage, your spine, your

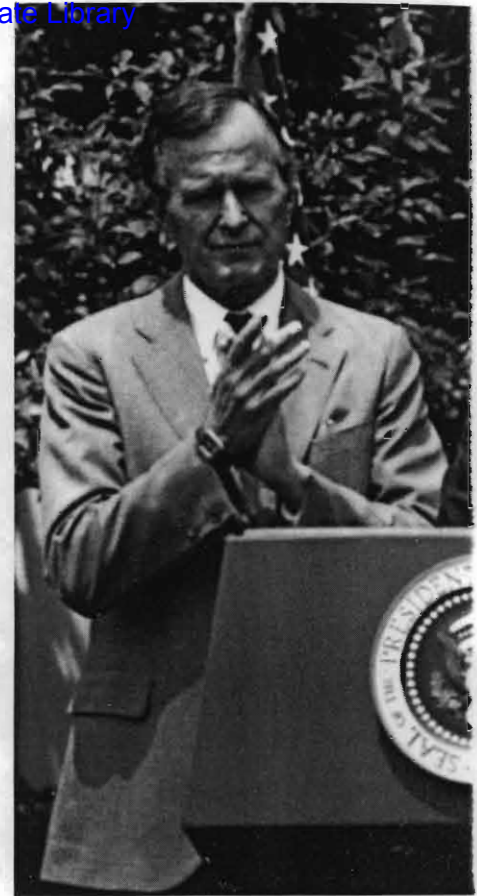
tibias and femurs – are what the rest of your body literally rests on.

Well our transportation system is the skeletal system for our state economy.

We have made sure that our spine, our road system, will be strong enough to carry our economy. And we are making sure that the rest of the structure – mass transit, bridges, the airports, are strong enough, too.

Too often success breeds complacency. I ask you to join with me to ensure this does not happen. A healthy New Jersey 2000 depends on it.

FEDERAL RELATIONS



Nineteen eighty-five was a year of many successes for New Jersey in Washington.

In 1985, as in the past four years, our Congressional delegation was active and influential. The presence of two able freshmen legislators, your former colleagues Dean Gallo and Jim Saxton, enhanced our delegation's favorable reputation.

Our delegation has consistently assisted my administration by fighting for continued funding of federal programs important to our state, and by protecting New Jersey's overall interests in Washington. Although we belong to both political parties, we share a devotion to the interests of all the people of New Jersey.

Earlier I mentioned the EPA's decision to phase-out the dumping of sewage sludge at the Sandy Hook site twelve miles off our shore. Within two years, all sludge must be dumped at a deeper, 106 mile site. This action was made after years of lobbying by this administration and all our Members of Congress.

Despite federal budget pressures, we were able to obtain \$52 million in Urban Development Action grants—a \$6 million increase over the year before.

We successfully opposed efforts to place a limit on federal Medicaid payments, allowing for successful

implementation of the Medically Needy Program you approved last year.

We supported legislation to alter the funding formula for the low income energy assistance program. New Jersey received an extra \$5 million for this year under the new formula. We were the only state in the Northeast to benefit from the change.

"1985 was a year of many successes for New Jersey in Washington."

10,000 New Jersey workers will receive job training during the next three years under a \$5 million experimental project sponsored by the U.S. Department of Labor. The program will focus on "displaced workers" who have lost their jobs in declining industries.

There was good news in mass transit in 1985. NJ Transit received a \$76 million federal grant for completion of the electrification of the North Jersey Coast Line from Matawan to Long Branch. I broke ground on the project last November.

The Department of Transportation gave final approval to funding to resume rail service from Atlantic City to Philadelphia. I thank all the Members

of our Congressional delegation who lobbied with us for a project that is extremely important to the economic future of South Jersey.

The talent and teamwork of our Congressional delegation on all these matters is appreciated. New Jersey will need that effort again this year. We face many important challenges.

Foremost among these is the reauthorization of the federal Superfund program. This program is critically important to New Jersey.

Superfund must be dramatically expanded if our own long-term cleanup effort is to proceed on schedule. In the next two months, New Jersey legislators will play key roles in reaching a compromise between competing House and Senate versions of the bill. I renew my call for a program that provides over \$10 billion in total cleanup money for the next five years and gives New Jersey and other states the power and flexibility to run our own ambitious cleanup programs.

Renewal of the Clean Water Act is also on the Congressional agenda. I support provisions in both House and Senate bills that would set up revolving loans funds to help finance the construction of wastewater treatment projects. These revolving funds are similar in concept to the landmark Environmental Trust Fund that you



approved last year. Passage of a new Clean Water Act should be a top priority. Our cities and towns need all the means possible to help finance construction of expensive sewage treatment improvements.

Senator Bradley has taken the lead in expanding opportunities for improved home health care services.

At my request, Senator Bradley has introduced legislation which would authorize four federally funded demonstration projects on community-based care in New Jersey. Another bill sponsored by the Senator would extend for a year our pilot project to train public assistance recipients to be home health aides. New Jersey has been a leader in this area in the past. I hope Senator Bradley's legislation is quickly approved so that we may continue our leadership.

Congress will spend a good deal of next year debating reform of the federal tax code. The House has already passed one version of these revisions. The Senate is expected to pass another.

Our House delegation helped shape the House bill. They successfully protected the deductibility of state and local income taxes. Eliminating this deduction would have hurt many New Jerseyans. I call on Senator Bradley and Senator Lautenberg to follow the House's lead and continue to protect the

deductibility of state and local taxes.

For the past four years, the New Jersey Washington Office has ably assisted us in keeping an eye on the interests of New Jerseyans in Washington. The Director of that office, Alie Randlett, recently stepped down. I thank Alie for her four years of service to the people of this state.

In the coming year, I will continue to play a major role in several national organizations to learn more from other states about programs that can work in New Jersey and to share with others New Jersey's own successes.

My interest in education reform has helped thrust New Jersey to the center of national attention. Last month alone, four major national education meetings took place within our borders. Education experts from all over are journeying here to see the excitement and new ideas that are pervasive throughout our schools and campuses.

I will continue to explore ways to revitalize the teaching profession. As Chairman of the Education Commission of the States, I will hold a series of "Talks With Teachers," to learn what teachers think can be done to improve the classroom environment. The first of these forums was held in New Jersey last month.

In addition to ECS, I will serve as Chairman of the National Governor's

Association Task Force on Teaching and continue as a Member of the Carnegie Foundation's Task Force on Teaching as a Profession. I believe deeply that teachers hold the key to the future of our schools. I am committed to improving this important profession, both here and across the country.

I also will serve as Chairman of the Environment Subcommittee of the Coalition of Northeastern Governors. All these positions provide an excellent forum to share New Jersey's concerns with policy makers in Washington and the rest of the country.

The year ahead will be challenging.

The Gramm-Rudman budget bill, tax reform and the Superfund will have an impact on New Jersey that will last well into the next century.

How each of these programs is shaped will have a widespread and telling affect on the quality and kind of life New Jerseyans can have this year, next year and in New Jersey 2000. If we want to make that kind of life the best it can be, we must win these battles.

I pledge to you a year of unstinting service to New Jersey's interests. I know that our Congressional delegation will be equally unswerving in its protection of New Jersey's concerns in Washington.



We have caught up to the past. We must look to the future.

The 21st century is only fourteen years away. We must be ready for it. I believe we will be.

I spent the fall crossing the state. Campaigns are valuable, they enable you to touch base with the people. I traveled to towns on the Hudson and towns in the Pinelands. I spent time on the Shore and time in our cities.

Everywhere I went, people seemed pleased with the state's direction. Everywhere I went, there was a good feeling about New Jersey.

I think 1985 was an outstanding year.

Others agree. In August, the Sunday *New York Times Magazine* devoted an entire article to New Jersey and our leadership role in the 1980's. From the West Coast, the San Francisco Chronicle opined, "there is a new, assertive pride in New Jerseyites... People are coming to New Jersey not only to live, but to work and watch sports. That's beating New York at its own game."

As leaders, we are fortunate. Because of the work of the past four

years, and because of the strength of the people we represent, New Jersey is a strong place today.

While times are good, we cannot relax. We should work even harder to leave this state better for our children and grandchildren.

Today I have asked you to look beyond the immediate future, to look down the road fourteen years. I have asked you to consider New Jersey 2000.

What kind of state will this be? Will our economy be strong? Will all New Jerseyans who want decent work be able to find it?

Will parents send children to school knowing they are getting the best education possible?

Will there be plenty of clean water to drink and fresh air to breathe? Will people swim in the ocean and romp on the shore?

Will our cities be bustling centers of commerce and culture?

Will our elderly live their later years with respect and decency? Will our children have hope for the future?

I think the answer to all these questions can be yes.

I think New Jersey can reach its potential. But we have to get to work today.

The programs I have put before you today will allow us to reach our dreams. From school reform, to environmental protection, to our health initiative, to creating jobs for our citizens—these programs are investments in our future. We may feel their influence today, but their real significance will be years down the line.

Like many of you, I have children. I often wonder what kind of New Jersey my children will see. I often wonder what they will think of us—the generation that came before them.

I hope our children will think highly of us. I hope our children will look around and see a clean, strong and compassionate New Jersey.

If they do, then they can say: "they took good times and made them better."

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