



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

**BY  
THOMAS H. KEAN  
GOVERNOR**

**JANUARY 12, 1988**

**“**  
*New Jersey is embarking on a voyage  
into a brave new world, filled with  
unprecedented challenges that will test  
our spirit, our imagination and our will.*  
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***"New Jersey, New World"***



## **NEW JERSEY NEW WORLD**

To the Members of the Legislature:

For the sixth time in my years as Governor, I take pride in telling you that New Jersey is a better state than it was a year ago.

In 1987 we saw more evidence that we have left our insecurities in the dust and marched forward to become one of the strongest and most progressive states in America.

We smiled as Mayor Koch tried to board up the Holland Tunnel to staunch the flow of thousands of good jobs into our booming economy. We nodded as a Washington lobbying group ranked us one of the top three states in protecting our air, land and water. And we beamed as Education Secretary Bill Bennett called us the "Education State."

New Jersey is on top in 1988. But my message to you today is not one of cordial congratulations. My message is as sober and serious as it is simple.

America has entered an era of international economic competition that threatens our standard of living. No longer can we be content to measure our performance against New York, Wisconsin or California. We must cast our eyes beyond our country's borders and summon every ounce of energy and imagination to meet the winds of change blowing from Shanghai to Sao Paulo.

New Jersey is embarking on a voyage into a brave new world, filled with unprecedented challenges that will test our spirit, our imagination and our will as a people.

We must disenthral ourselves from the specter of our recent success and gaze steadfastly at the challenges of the future.

We must invest and excel if we are to guarantee our children a better life.

Today, knowledge is the engine that drives the world economy, and research and higher education are knowledge's parents.

So in 1988 I propose we put before New Jersey voters a \$345 million Jobs, Technology and Competitiveness Bond Issue. The money will be invested in high technology research laboratories—the cradles of fledgling industries—and the construction of new classrooms, labs and libraries on our college campuses.

We must continue to rebuild our elementary and secondary schools. The only way New Jerseyans can compete for jobs with workers from low-wage countries is to be the best educated workers in the world.

I recommend we require 11th graders to pass a new basic skills test to insure that our children get the education they need—the education we pay for. I also suggest we release school report cards so that schools become more accountable to parents and taxpayers. And I believe it is time to once again teach character in our elementary and secondary schools.

It is not enough just to oppose protectionism in Washington. We must more aggressively sell New Jersey products abroad.

This year I recommend a dramatic expansion in our foreign trade operations. By 1989 I want to have the most advanced state strategy for aiding small and medium businesses to finance and market their exports.

We must break the cycle of poverty and ignorance that drains our state of desperately needed talent, especially minorities. In 1988, we will move ahead with the planned expansion of our historic REACH welfare reform program. And I propose we start a new program to provide pre-school education to poor youngsters in inner cities.

The ocean has always been our most extraordinary natural resource. It defines and

shapes the character of our state. More recently, it has become the anchor of our service economy. The next generation will not forgive us if we allow it to deteriorate further. We must move with great dispatch to put in place the New Jersey Coastal Commission, as well as my 14-point plan to save the ocean from pollution and overdevelopment.

As we rise to the challenges before us, we must never forget our values. As we move forward, we must make sure that our weaker brothers and sisters are beside us.

So while investing in economic competitiveness, I also recommend significant expansion in programs for AIDS research and care, and in programs to help the homeless.

This is an ambitious agenda. For many states, it would be the work of decades. In New Jersey we do not have the luxury of time.

As we meet, ten-year-old Japanese children are studying superconductivity; Korean factory workers are working 12 hours a day, six days a week for below our minimum wage; and China, that great slumbering giant, is awakening to the virtues of a market economy.

Some look at these developments and hint that this country's glory days are over. They ask: is America up to the challenge?

To those doubters, I offer the last words of Franklin Delano Roosevelt, found scrawled on a piece of paper in Warm Springs, Georgia in 1945.

Roosevelt wrote, "The only limit to our realization of tomorrow is our doubts of today."

I think New Jersey can lead our nation to the top of a new world economic order. We can be the sturdy horse pulling the world's economic wagon.

It takes the kind of investments I propose to you today, and the proud and indomitable New Jersey spirit that we have shown time and time again in the 1980's.

Join with me in 1988 as we show the rest of America what it takes to prosper in this new world.

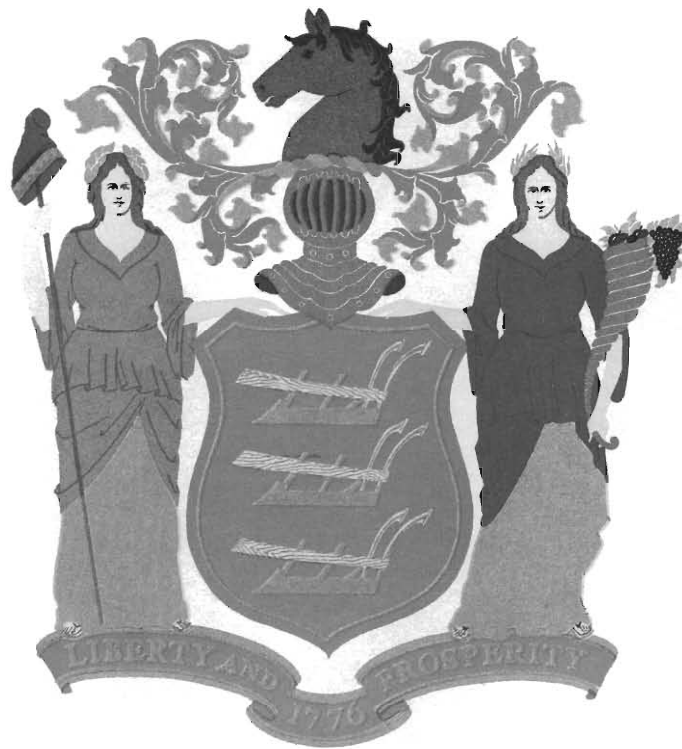


Tom Kean  
Governor of New Jersey



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## JOBS AND THE ECONOMY

**A**s 1988 begins, I am proud to announce that growth and prosperity remain New Jersey's top products. The rebirth that began in 1982 continues unabated. Today we stand as a textbook case of how an aged manufacturing economy can marshal its resources and build a new future, a future that will ensure the greatest wealth and happiness for all our people.

Less than a decade ago New Jersey lay on the rustheap of industrial decline. Today we stand as a model of economic growth. As we begin the seventh year of my administration, New Jersey boasts more jobs, more businesses and higher incomes than ever in our history.

By now, news of the New Jersey miracle has reached the highest levels of government and the media. Last year the Regional Commissioner of the Bureau of Labor Statistics Sam Ehrenhalt called us a "brilliant success story," and added, "New

Jersey's economy continues at full throttle without a sign of trouble ahead."

John Naisbitt, publisher of "Trendletter," wrote "Just a decade ago, New Jersey along with some of its Northeastern neighbors, ranked among our most economically depressed states. Now the state's a leader in the area's resurgence, with a bright future."

And on his visit here last October, President Reagan told us that, "New Jersey is a powerhouse of technological innovation and entrepreneurial energy. You are a generator of the economic dynamism that has swept America these past six and one-half years."

Even when people maligned us, we still benefitted. One of the most memorable advertising campaigns of 1987 was New York City's promotion that ran in the *New York Times*. It pictured New York's Mayor Ed Koch boarding up a facsimile of

the Holland Tunnel. "New Jersey?" asked the mayor. "No way!" he smiled.

The idea was simple. New York tax incentives would stem the rapid flow of business to New Jersey. But the effect was quite the opposite. New Jersey must be a marvelous state to do business, people remarked, if New York's mayor has to close the Holland Tunnel to keep his companies from leaving. Like the Berlin Wall, it was the sincerest form of flattery for the competition.

Across this nation we are wit-

nessing another sincere form of flattery—imitation. State governments from California to Pennsylvania are copying our education initiatives, our tax cuts, our public/private partnerships and our environmental and transportation trust funds. They are tracing the New Jersey method to economic growth.

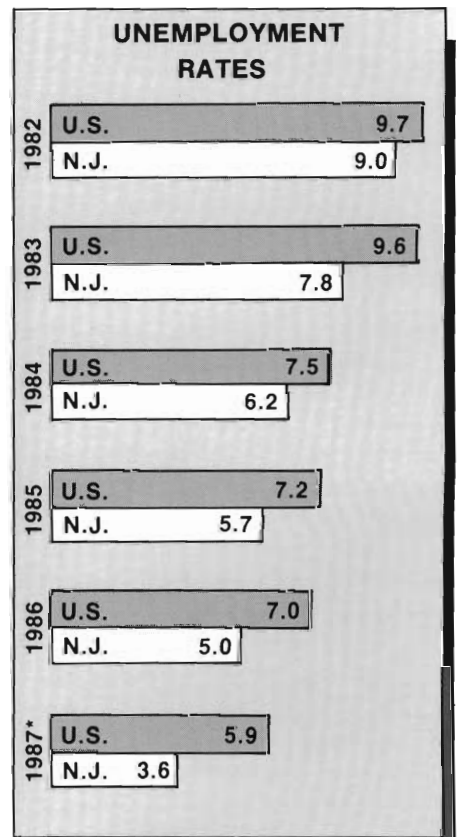
### UNPRECEDENTED GROWTH

It is true. Business here is booming. New business incorporations are up 26 percent from four years

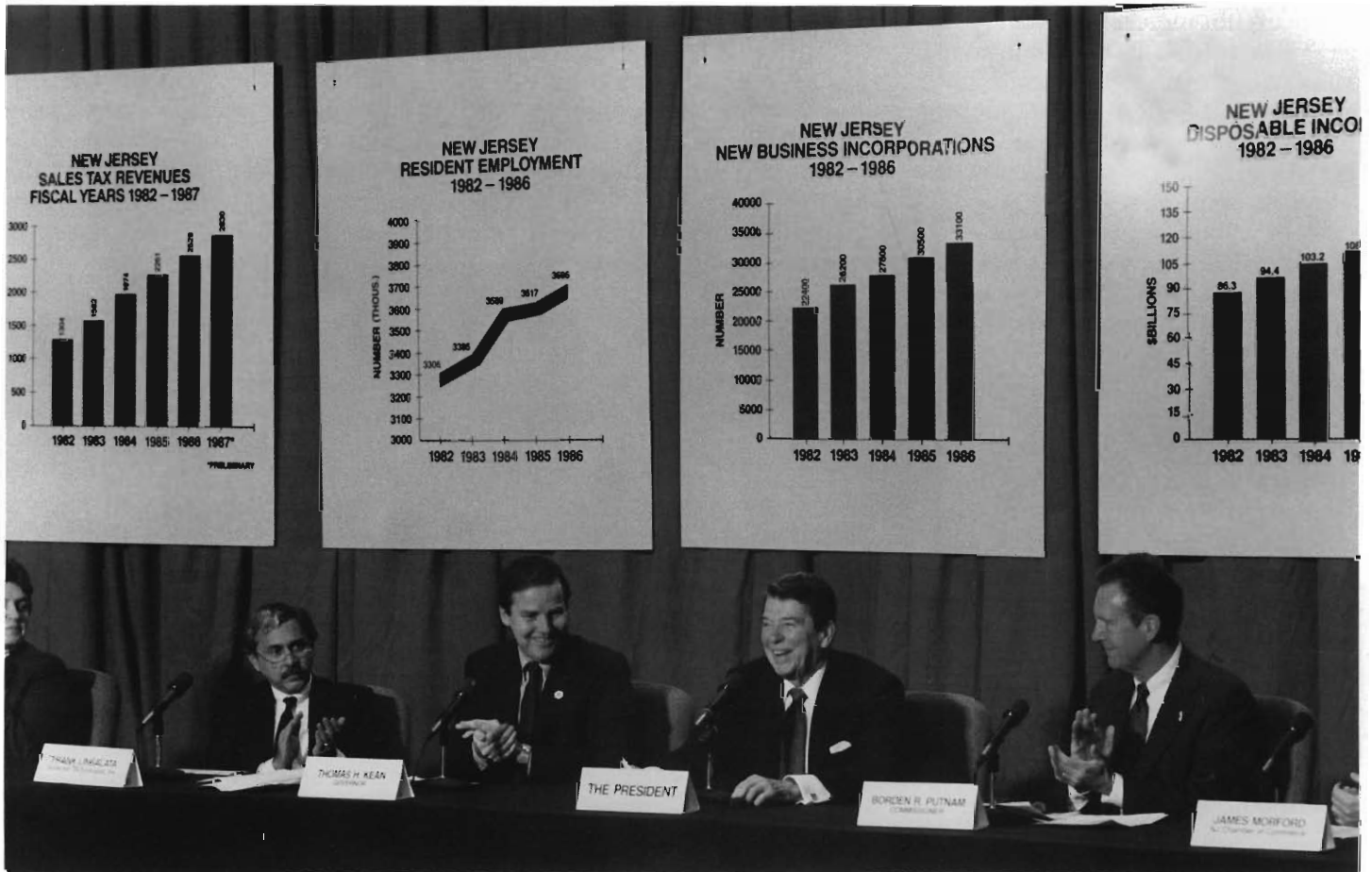
ago. And despite Mayor Koch's carpentry, major New York-based corporations continue their migration to New Jersey. American Reinsurance is relocating to Plainsboro. U.S. Life is migrating to Neptune. Atlantic Mutual Insurance is coming to Madison. Harry M. Stevens is moving to South Brunswick. And four steamship lines announced last year they are lifting anchor and heading for our side of the harbor—Atlantic Container Line (ACL), Maersk, Nippon Yusen Kaisha (NYK), and Nedlloyd Lines. ACL is one of the five top steamship companies in the Port of New York and New Jersey.

It is not hard to see why so many New York firms are choosing New Jersey. To them we offer lower energy costs and relatively cheap rents. A recent study by the securities firm of Donaldson, Lufkin & Jenrette estimates that businesses cut their operating costs by 40 percent when they move here.

But it is not only New York firms moving to New Jersey. This year



\*November is the most recent month available.



Singer Co., the maker of military electronics equipment, moved its headquarters from Connecticut to Montvale in Bergen County. Singer took advantage of our tough new anti-corporate takeover law and fled the advances of T. Boone Pickens.

Workers are following businesses. Our population is once again growing after a decline in the 1970's. Ironically, many of our new residents are from the depressed Sunbelt where many New Jerseyans fled in the 1970's.

Last year we saw an influx of workers from as far away as Texas and Oklahoma seeking jobs in our booming construction trades. They found plenty of work building offices and new homes. Last year New Jersey led the nation in new office construction. And housing starts came to 42,000, a 186-percent increase from five years earlier.

New Jersey's economic engine is producing so many jobs that many employers report labor shortages.

Unemployment for the first 11 months of 1987 averaged 4.1 percent, the lowest yearly unemployment figure since we changed the way we keep these statistics in

*New Jersey must be a marvelous state to do business, people remarked, if New York's mayor has to close the Holland Tunnel to keep his companies from leaving.*

1970. It was down from five percent in 1986. Our unemployment rate stood well below the nation's and that of our neighbors, New York and Pennsylvania. Only Massachu-

setts had a lower jobless rate among the major industrial states.

New Jersey's economy created more than 100,000 new jobs in 1987, and more than 500,000 since 1983. Each day 3.8 million New Jerseyans get up and go to work.

Since 1983, jobs in New Jersey have grown at one and a half times the national rate. Service jobs are up 48 percent. Construction jobs are up 45 percent—four times the national increase. Finance, insurance and real estate jobs have risen 40 percent compared to 30 percent nationwide.

And I am happy to report that since 1983 government employment in New Jersey has risen only 5 percent, about the national average.

The rising economic tide in New Jersey is lifting all boats. Unemployment for blacks fell in the third quarter to 8.2 percent. Nationwide, blacks face an unemployment rate of 12.8 percent.

We are not merely producing low level jobs in fast food restaurants. Most of our new jobs require higher skills and better educations. In turn, they are rewarding our workers with higher salaries. Annual wages in New Jersey rose 5.8 percent in 1986, moving New Jersey past Alaska into second place in per capita income. Only residents of Connecticut earned more money than New Jerseyans last year.

The average New Jerseyans has an income of \$18,284, substantially higher than the national average of \$14,461. Our incomes grew sixth fastest among the 50 states.

There is no question about it. New Jerseyans are much better off than they were five years ago. Our personal income has risen 44.5 percent, and the value of our property has risen as well. The average existing house price has grown 82.5 percent to \$166,000.

Without question, state policy has fostered economic growth. A systematic analysis by the Corporation for Enterprise Development in Washington D.C. rated New Jersey state government policies the seventh best in the nation for promoting business growth.

The study gave us A's for our road network, pool of skilled workers, school systems, and government aid to low income neighborhoods.

We in state government have worked hard to cut back taxes that impede business development. Since taking office we have eliminated four burdensome business taxes that were sapping our economy's strength.

In 1986 we completely eliminated the corporate net worth tax, saving New Jersey business \$150 million a year. That sent forth a loud message that New Jersey is a pro-growth state.

We have also helped start-up businesses with our three-year-old loss carry-forward law. Under this law businesses less than eight years old may save taxes by deducting losses from future revenues. This gives smaller firms the incentive to endure the tough first years of existence. Loss carry-forward will save business \$40 million in fiscal 1988.

Our urban enterprise zones are revitalizing business in our cities. They will have created over 19,000 full-time jobs and almost 4,000 part-time jobs for inner-city residents in just the first two years.

Finally, New Jersey businesses no longer have to pay the federal government for debts to the Unemployment Insurance Program. When we took office, that \$600 million debt amounted to a \$42 tax on every New Jersey worker. Now the debt is completely eliminated; in fact, the fund has built up a substantial balance.

While helping business compete we have not forgotten to cut taxes for individuals. This July we will eliminate the final phase of the Transfer Inheritance Tax—the tax on children. In July 1986 we eliminated the Transfer Inheritance Tax on spouses. This tax was an unfair burden on survivors, especially farmers, small businessmen and the elderly. Its elimination saves New Jerseyans \$100 million a year. As I write, the Senate and the Assembly have before them bills to increase the homestead rebate. I hope you pass them to provide a belated \$100 million Christmas present to New Jersey taxpayers.

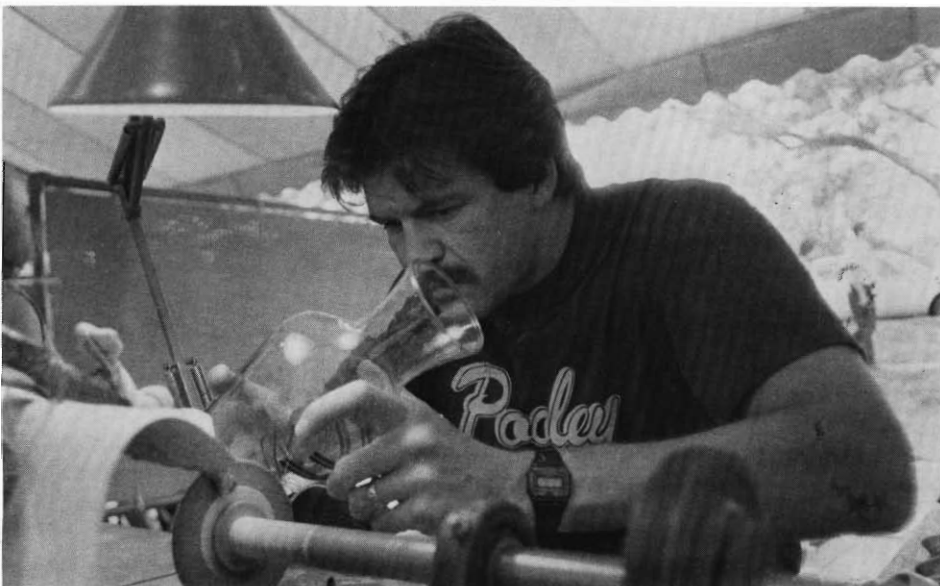
New Jersey is making the climate right for economic growth. I want to especially thank Commissioner Borden Putnam for the fine job his Department of Commerce and Economic Development has done in keeping us competitive.

This year his department added a new Division of Development for Small, Women and Minority-Owned Businesses. This division is the first state agency of its kind in the nation. It assures that minorities, women and owners of small businesses get the help they need to grow and prosper. Most new jobs in New Jersey are created by small businesses. It is in our economic interest to see that these enterprises, especially the ones started by minorities and women, succeed.

We have also made sure that businesses like these get a piece of the state pie. Fifteen percent of all state contracts are set aside for small businesses, seven percent are set aside for minority-owned firms and three percent are set aside for

#### 1,744 APPROVED UEZ APPLICATIONS

CITY	MONEY INVESTED	TOTAL NEW JOBS
PLAINFIELD	\$ 22,322,275.00	1,342
ORANGE	\$ 24,395,700.00	624
BRIDGETON	\$ 30,596,046.13	1,576
MILLVILLE	\$ 34,952,075.00	1,195
KEARNY	\$ 42,475,000.00	425
VINELAND	\$ 62,140,855.00	1,848
CAMDEN	\$ 73,734,161.00	1,609
ELIZABETH	\$ 106,708,439.00	1,569
TRENTON	\$ 157,567,880.00	949
JERSEY CITY	\$ 332,849,906.00	2,747
NEWARK	\$ 337,400,079.04	5,198
TOTALS	\$1,225,142,416.17	19,082



women-owned firms. This represents a total of 25 percent of state contracts and purchases. This is only fair: if the government collects taxes from everyone, it should do business with everyone.

On the subject of taxes, much has been written about the upcoming report on taxes from the State and Local Expenditure and Revenue Policy Commission (SLERP). I am looking forward to its recommendations to control expenditures. State government continues to grow because of our legitimate needs. However, we must also look at ways to restrain spending in some areas so that we never needlessly burden our taxpayers.

State government has been very active in helping business compete. The results have meant success beyond our imagination. But while we celebrate that success, let me inject a note of caution.

On October 19, financial investors had a vision of economic apocalypse. Stock markets around the world went into a free fall. The New York Stock Exchange plunge was, on a one-day basis, worse than the crash of 1929.

We appear to have come out of that nose dive and levelled off. But consumers, who drive our economy, remain concerned about the future. If their caution turns into an economic slowdown then we must be ready to make an economic rescue mission.

That is why the budget I present next month will have a substantial cushion to help us weather an economic storm. We must never forget that no matter how successful we become we will never completely eliminate the business cycle. Sooner or later there will be a recession. Now is the time to make prudent investments in New Jersey's future.

#### **THE WORLD MARKET**

For anyone with doubts, October's stock market crash was proof that we live in a world economy. What happens in London or Tokyo

today affects the way people live in Cherry Hill, Freehold or Paterson tomorrow.

Today Americans are being challenged for their long-held leadership in world affairs. We are being edged out by industrial nations like Japan and Germany whose economies we helped rebuild 40 years ago. And we are being undersold by Third World countries that combine low wages with the latest in assembly technology.

As our trade deficit again surpasses \$150 billion, America has to ask itself: Will our future be "Made in the U.S.A." ... or "Made in Korea?"

We cannot hide behind the illusion of protectionism. Instead, we must prepare ourselves to compete in the world marketplace. This is not simply a job for the federal government. All of us, especially the states, must join the competition. We must get our workers, our companies and our products ready for market.

New Jersey is particularly well equipped to take the lead. For six years we have been investing in our people and our industry. Our education reforms have upgraded our most important resource—our people. Our advanced technology centers have incubated the growth industries of the 21st century. And

since 1982 our Division of International Trade has increased our exports and brought foreign investment to New Jersey.

Now it is time for the Division to take on a much greater role. This year I am asking the Division under Ming Hsu to design a complete strategy for New Jersey business expansion abroad. Our goal is

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to give New Jersey's companies the edge to take on the world.

We already have a fine array of programs to help our small to midsize companies sell their products overseas. We start our novice exporters off with seminars and one-on-one counseling. We guide them through the maze of tariffs and regulations that comes with selling abroad. And we put them in touch with shippers and expeditors to move their products along.

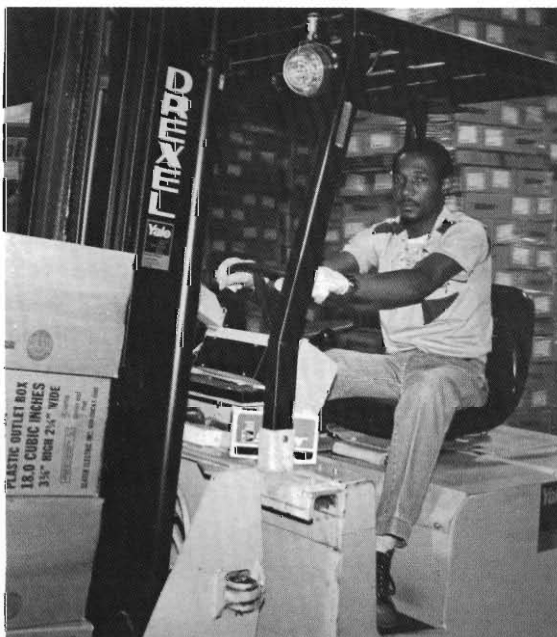
Next, we frequently arrange to

take businesses to international trade shows or represent them ourselves if they cannot go. We actually bring products and equipment, not just catalogues, to these shows. During 1987 the Division participated in 11 foreign trade shows. Three were new for us: the telecommunications show in New Delhi, the building construction show in Moscow and the Paris Air Show, our first time representing the aerospace industry. Since 1983, the trade show program has generated thousands of sales leads and millions of dollars in sales.

Finally, we are launching an export finance program to help companies sell abroad. It is often difficult for small to midsize firms to get export lines of credit. Now the Division of International Trade and the Economic Development Authority will make it possible for companies to get up to \$100,000 short-term working-capital loans for export.

These are all good programs and they have helped some New Jersey businesses move into the world market. Now we must complete the package.

I recommend that we create a state-sponsored foreign sales corporation so that small to midsize firms can share in valuable federal tax credits on export profits. Right

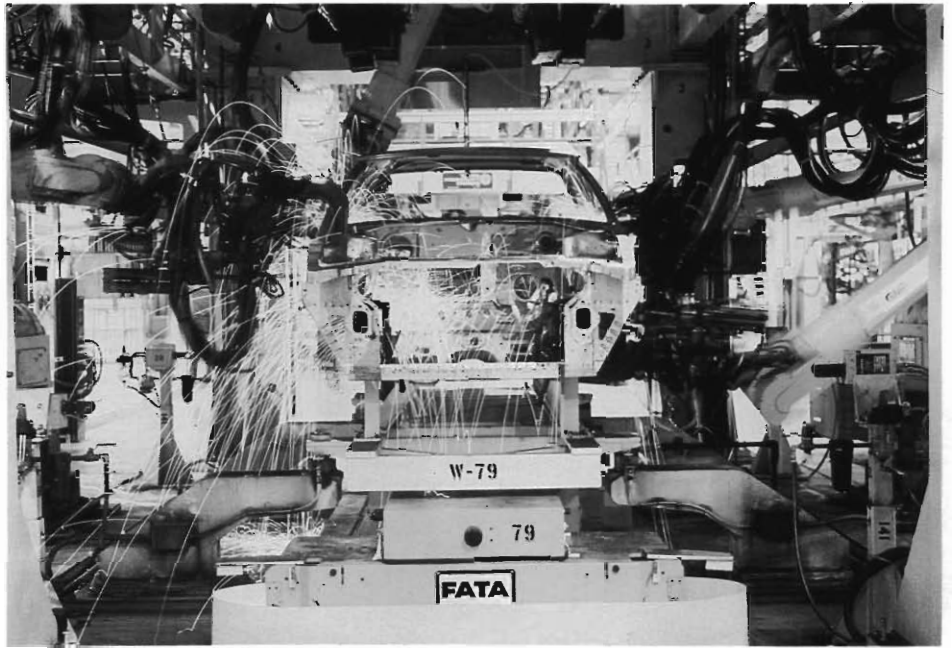


now, only major corporations can reap these tax advantages. By setting up a foreign sales corporation that small firms could join, we would be able to pass these benefits on to even the smallest exporter. Tax savings would be 15 percent, which could mean the difference in a small firm staying at home or venturing out to sell abroad.

I also recommend that we study establishing an international educational center at Rutgers New Brunswick to teach our businessmen and women not only the business of import/export, but the culture and the language of the people they will be dealing with. Programs could be set up for specific industries such as electronics or paper. Courses might deal with particular countries such as China or Japan. Seminars would focus on commercial practices like licensing and joint ventures. A center like this would broaden the perspective of hundreds of New Jersey business people and help them compete.

I also recommend that the Division investigate whether the State should create an Export Trading Company to act as agent for New Jersey businesses overseas. The Port Authority of New York and New Jersey already has a similar company. So do a number of banks and major corporations. Federal law allows these Export Trading Companies freedom from anti-trust legislation, allowing businesses to join together and set prices and target markets, very much as the Japanese do. This lets our companies offer a united front abroad. In addition, by representing many lines of products, an Export Trading Company can mean one-stop shopping for foreign buyers. We could make it easier for our trade partners to buy American.

This then is a complete strategy for moving New Jersey business into the world marketplace. Businesses learn how to export at our seminars and one-on-one guidance sessions. They increase their



knowledge about a particular country or market at our proposed international educational center. They meet their customers through our trade show program. They obtain credit through our export financing program. They receive tax benefits through our proposed foreign sales corporation. And they could actually sell their goods through us if we decide to set up a state export trading company.

No state today has such a soup-to-nuts export sales promotion program. I intend to make New Jersey the first.

New Jersey has a growing presence abroad which will also help New Jersey businesses. Last year I signed legislation sponsored by Senate President John Russo and Assemblyman Joseph Azzolina, creating New Jersey's first foreign trade office. In September, we opened that office in Tokyo. Now New Jersey businesses can depend on a person, not a telex, to expedite their foreign transactions. Our Tokyo office covers not just Japan, but the entire Far East.

I also signed legislation, sponsored by Senator Leanna Brown

## NEW TECHNOLOGY

America is learning to compete by using new technology. Last fall the first Chevrolet Corsicas and Berrettas for export to Japan rolled off General Motors' Linden assembly plant. The plant has been retooled for the latest in robotics engineering. Now with the dollar in decline and technology on the rise, GM is ready to battle the Japanese on their own turf.

A thousand Chevrolets for export will not reverse the trade imbalance—yet. But America's economic future will depend on advances in technological design that gave birth to these new cars.

Once again New Jersey is playing a leading role. Since the 19th century New Jersey has been the home of inventors and innovators. It was here that Edison invented the light bulb and movie camera and 500 other inventions. It was here that Selman Waksman invented streptomycin and three Bell Labs scientists discovered the transistor.

Today New Jersey continues that great tradition. In laboratories at Bellcore, AT&T Bell Labs and SRI, New Jersey's scientists are chasing the mystery of superconductivity. Superconductivity means the flow of electricity without resistance and loss. The discovery of superconductivity at warm temperatures would completely revolutionize the use of electricity and profoundly alter our lives. In the past year New Jersey researchers have made some startling breakthroughs. And scientists from Houston to Zurich are tracking every New Jersey development.

This year I intend to set up a Governor's Roundtable on Superconductivity to advise me and you on recent breakthroughs which will have a profound impact on our economy.

Our leadership in superconductivity research is not surprising. New Jersey leads the nation in privately funded research. Ten percent of the nation's total R&D dollars are spent right here in our state. We rank fourth in the



and Assemblyman Thomas Foy, to create an Office of Sister State Relations within the Division of International Trade. This office will handle all relations with our sister states, from trade shows to cultural and educational exchanges.

The concept of the sister state is growing more important each year. We currently have a sister state re-

lationship with Zhejiang Province in China. Several nations, including Israel and South Korea, have expressed an interest in developing a similar relationship with New Jersey. I expect this office to aggressively pursue economic benefits for New Jersey through these programs.

I also expect to create a sister province/state relationship this year with Taiwan. The benefit to signing a special relationship with Taiwan will be evident immediately. We will receive free use of a foreign office in Taipei's World Trade Center for one year, giving us two bases abroad. It will tie us even closer to the burgeoning Pacific Rim.

Foreign trade offices bring foreign investment to New Jersey as well as helping our businesses sell abroad. Foreign corporations have invested close to \$11 billion in American plants and equipment. More than 1,000 foreign firms employ 153,000 New Jersey workers. Firms like Samsung and Sunk-yung, which recently moved to New Jersey, are taking up the slack in our blue collar manufacturing sector.

Our trade offices will also help foreign companies sell here, and that is a good thing. Free trade has brought the United States and the world unprecedented growth since World War II. It presents the best the world has to offer at prices we can afford.

Now is not the time to bury our heads in a pile of tariffs. Now is the time to build our competitive skills and go forth into the world. With continued legislative support for the international business programs I have outlined, New Jersey will be ready to help the United States recapture the lead in foreign trade.

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number of high-tech firms and third in the number of patents.

Four years ago we created the New Jersey Commission on Science and Technology to maintain our pre-eminent position in the field. In that time we have established several world class research centers to create the industries of the 21st century.

We created the nation's first research center dedicated to the management of toxic wastes at the New Jersey Institute of Technology.

We are providing researchers across New Jersey with access to the world's most powerful unclassified supercomputer at Princeton.

And we are pushing the frontiers of genetic engineering at the Center for Advanced Biotechnology and Medicine at Rutgers.

The centers are creating new businesses which promise long-term growth. Last year we brought representatives of Concurrent Computer Corporation and several

outstanding Princeton scientists together. They liked what each other had to say. They created a new enterprise which could create as many as 1,000 new jobs and put New Jersey at the forefront of advanced-design supercomputer production. Technology transfers like that are key to making America more competitive.

*We have established several world class research centers to create the industries of the 21st century.*

In the past year, with funds from the *Jobs, Science and Technology Bond Act of 1984*, we have broken ground on four major academic/industrial research centers—in Hazardous and Toxic Waste Management, Ceramics Research, Ad-

vanced Food Technology, and Biotechnology and Medicine.

We will begin construction shortly on the Center for Fiber Optic Materials Research at Rutgers. These new research centers are rapidly gaining recognition as among the best in the United States.

Creation of the advanced technology centers is part of a long-term strategy to keep New Jersey on the "cutting edge" of science and technology. But even in the short term we are receiving payoffs. Our science and technology programs have already created or saved more than 2,500 jobs in New Jersey.

Private industry strongly backs the centers. More than 120 firms are now members. They have contributed nearly \$47 million to our science and technology programs. In turn, these programs have attracted about the same amount in federal research grants—\$20 million in the last year alone.



Without question these centers are a wise investment for New Jersey. For every dollar we invest in state money, the centers receive two dollars in private and federal contributions. And the payoff comes in new industries, valuable products and permanent jobs.

It is time for New Jersey to again make a wise investment. I am asking you to place before the voters next November the \$350 million Jobs, Education and Competitiveness Bond Issue.

When a skier goes for the Olympic gold, he does not use discount skis or poles he found in his grandfather's basement. He buys the very best equipment available, and he trains until *he* becomes the very best.



It is the same way with a state or nation. To compete against the world's best, New Jersey must have the best equipment. And then we must use that equipment in our colleges and high-tech centers to become the very best.

The \$350 million investment means New Jersey can go for the gold.

I will speak at greater length later about the \$285 million needed for capital improvements to our colleges and universities. For now, let me tell you what \$65 million will buy for our advanced technology program.

It will help us create or expand three centers that eventually will revolutionize the jobs we do, the medical care we receive, even the food we eat.

First, the bond issue will allow us to expand our surface materials research program. The new science of surface materials improves the quality and durability of industrial materials—anything from car bumpers to heat-resistant tiles on the space shuttle. And probably most important, this research will help us build smaller computer chips with a greater capacity to store information.

Second, the bond issue will create an advanced technology

center for photonics. Photonics, which includes laser technology, may be just as revolutionary as superconductivity. It would mean replacing electricity with light to transmit signals in computers. It would also mean breakthroughs in medical technology. Instead of using a steel instrument to probe a patient, doctors can use laser technology hooked to a computer to record an exact description of the human body.

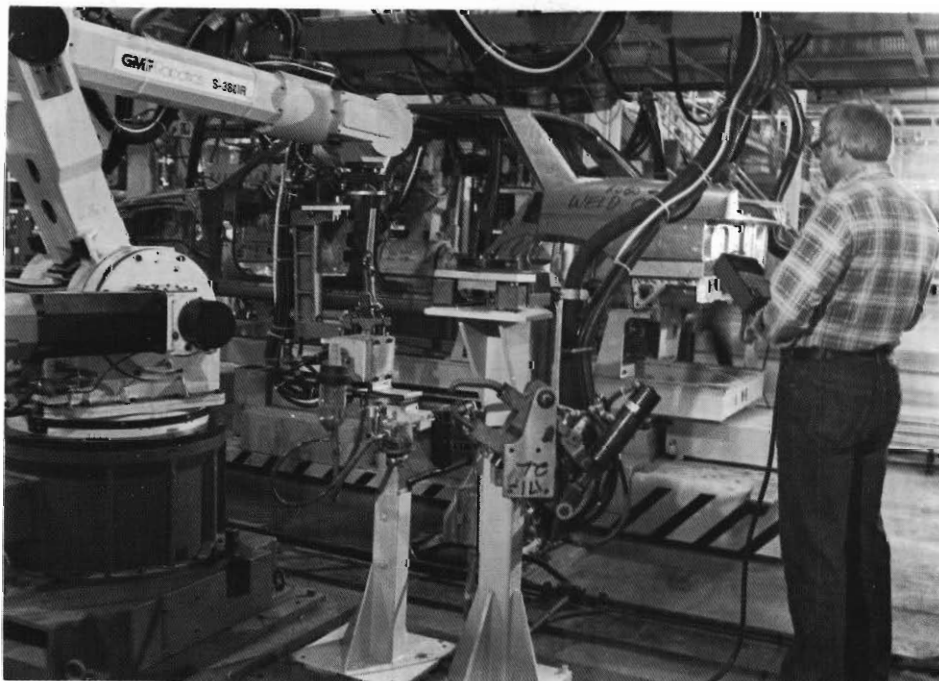
If constructed, the centers for Photonics and Industrial Materials, along with the existing Center for Ceramics Research, will make New Jersey the nation's most fertile breeding ground for entrepreneurial activity using superconductivity.

The third thing the bond issue will do is create the Center for Agricultural Molecular Biology at Cook College in New Brunswick. This center will truly be world class. It will be larger than any similar institution in the United States. For comparison we must look to the Max Planck Institute in West Germany and the Plant Breeding Institute in Great Britain. Research conducted here will help New Jersey farmers grow better, heartier crops and allow us to become the agricultural center of the Northeast.

These are all worthy activities of a world-class state. I ask you for your full support to help New Jersey go for the gold.

I mentioned earlier that the majority of new jobs are created by small companies. This is particularly true of science and technology firms. Unfortunately, the costs of research and prototype development are high, often straining a fledgling company's limited budget. Sadly, many young science and technology firms fall by the wayside.

We cannot afford to let that happen. I call upon the Commission on Science and Technology to continue to support small science and technology firms and develop new ways to increase their survival rate.





In my message last year I announced a two-year celebration of "New Jersey: The Invention State." I asked all New Jerseyans, no matter what their age, to search for the spirit of Einstein and Edison within themselves. This year two of our youngsters showed that New Jerseyans still possess that famous spirit of ingenuity.

Philip William Schulz of Rumson and Krissy Berglund of Somerville were among only nine children nationwide to win awards in the Invent America contest. Philip, who is 12, invented an Easy-Kleen Bird Cage. Krissy, who is 10, invented a device to let bus drivers know if school children fail to buckle their seat belts.

New Jersey was the only state with two winners. I am very proud of them and the honor they bring to New Jersey.

Today Philip and Krissy's interests concern pet birds and rides to school. Tomorrow they may be as broad as easing the flow of electricity

through superconductivity or eliminating its necessity through photonics. It is their spirit, the spirit of the inventor—always wondering how to do things better—that pleases me.

As we move into the second year

*To compete against the world's best, New Jersey must have the best equipment.*

of our "New Jersey: The Invention State" celebration, let us make sure we have the world's finest facilities so young inventors like Philip and Krissy can seek answers to their questions.

#### **ADVANCED SKILLS**

If America is to compete in the next century, we need a massive upgrading of our workforce. The only way we can compete with low-wage countries is by taking the lead in the brain-based industries

of the future. We need workers from the shop floor to the boardroom who can read, compute, and adapt faster than their predecessors.

In addition to education and welfare reform, we need to enact a new employment and training policy to build a sturdy foundation for New Jersey's economy in the 21st century.

Right now, we spend \$300 million in state, federal, local and private money, to help train some 800,000 New Jerseyans a year. These services vary from helping a 50-year-old unemployed iron worker search for a new job, to teaching an illiterate 16-year-old how to read so he can apply for his very first job.

Some of these services are very good—in fact, some are the best in the country. Others are wasteful and duplicative.

In my Annual Message last year, I created a task force to study our unemployment and training system and recommend changes to guide it—and New Jersey's work-

force—into the next century. In December, task force members released the most comprehensive analysis of employment policy ever conducted in America. I want to thank all the members and their staff who contributed months of hard work, especially my Commissioner of Labor Charlie Seraino.

The picture this report paints is of a workforce and economy undergoing profound transformation. We expect to create 600,000 new jobs in New Jersey by 1995. That is the good news. The bad news is that the baby boom is over. We expect only 500,000 young New Jerseyans will be available to fill those new jobs. That gap—100,000 jobs—will have to be filled by people who are underemployed or unemployed today.

Most of them will be women, minorities and the urban poor—people who have always had the toughest time acquiring skills and training.

The jobs they fill will require more skill, not less. Last year 16 percent of all job openings in New Jersey required a college education. By 1995, it will be 20 percent. Four out of five new jobs will require better than a present high school education. The fastest rate of job growth is going to be in demanding fields such as medicine, engineering, computers and legal services.

By 1995, we expect a total of 2 million job openings, including the new jobs I already mentioned. Two million people will leave their jobs for better ones, and their places will have to be filled. The 2 million people who fill these jobs have to acquire the skills to earn their promotion.

Taken together, these numbers point to a very important challenge. Either we revamp our employment and training system to meet the needs of our economy, or we watch helplessly as companies close shop and head to states with plenty of skilled labor. In short, either we meet the challenge, or we watch our

economy crawl back to the dog days of the 1970's.

The Employment Policy Task Force has charted the outline of a state employment policy that can help give New Jersey the best skilled workforce in the country. The cornerstone idea is that in today's economy, workers need to constantly upgrade their skills—whether they are *on the job* or *out of a job*. We need a broad continuum of services that meets workers' needs every step along the way, from school to retirement.

*If America is to compete in the next century, we need a massive upgrading of our workforce.*

Right now, we have the basic framework. For example, a young city student struggling in school has to take our basic skills test to make sure she can read and write when she graduates. With our 10,000 jobs program, we will try to guarantee this city girl a first job in private industry if she passes the test and graduates.

If she does not succeed at first, she might end up on welfare. That is where our REACH program takes over. After she gets a job through REACH, she might want to get a college education. So she can enroll in our Occupational Education Program for college credit.

Ten years later, this woman's employer may go bankrupt and she could be left again without work. She can get training through the Job Training Partnership Act. Many years later, when she retires after a productive career, she might want to get involved in senior community service, like the program run by the Department of Community Affairs.

The framework is there, but we have to strengthen it. We have to fill in the gaps where workers need

help, but do not get it now. And we have to coordinate all our programs, so that New Jersey workers know that training is available in any situation.

In December, I recommended that the Job Training Coordinating Council be elevated to a commission, reporting directly to me, much like the Science and Technology Commission. This commission will have the independence and power to provide statewide leadership on the difficult employment issues facing New Jersey in the years ahead.

The new state Employment and Training Commission should truly be a public/private partnership. Half the members—including the chairman—should come from business. This illustrates our commitment to working with the people who create jobs, to prepare the workers who will fill them.

I also recommended the expansion of local private industry councils. Today, these councils run programs under the Job Training Partnership Act. I want them to provide local leadership over the continuum of training, education and welfare programs we have now.

I mentioned the need to plug a few gaps in that continuum. Despite our education reforms, too many high school dropouts never find a job or never get the training they need once they leave school. The answer is not to lower graduation standards. Instead, I suggest we experiment with a few alternate schools for dropouts where they can receive personalized training and education. We want the business sector to work with these schools to train students for real jobs.

Another major gap exists—employed workers who have no access to advanced skills. I propose we make a small investment and start a pilot program to help people who are already working get more education and training.

The program will be directed at people like the young black worker with a silicon chip manufacturer.



He is earning good money now, but someday his company may have to move production offshore. With the state grant, he can go to computer classes at night. He can look for a better job. And if his company has to leave, he has a future.

I think this pilot program is exciting. It addresses the needs of the vast middle of our workforce. You see, workers on the bottom qualify for REACH or unemployment training. Workers on the top can afford night classes or business school. But workers in the middle are the ones who need a little hand up.

I hope this small government program sets an example for private businesses to follow—not just for the workers' sake, but for their companies' own productivity as well.

I also believe the state can use its expertise in customized training to help promising industries get on their feet. Customized training involves providing very specific training in skills a company needs to survive.

In Clifton a young company named Streeter Richardson helps make high-tech computers to weigh and package industrial products. This year Streeter Richardson had to make a big decision. The company had offices in Clifton and Illinois. They wanted to close one

office, to cut costs and keep ahead of their Far East competitors.

We offered Streeter Richardson's workers customized training. In the end, Streeter Richardson decided to stay in Clifton. Not only did they keep 300 jobs there, but they also hired 79 new employees.

I think we can do more of this. I suggest we expand customized training, and focus on industries with potential for growth. If you invest training in a growth industry, the jobs will be there not only tomorrow, but ten and 20 years from now.

One more area deserves state attention. I suggest we once again convene a task force to look at the long-term financing and possible uses of the Unemployment Insurance Fund. The surplus in this fund may be useful in training our workers for the future.

Business leaders must join in our efforts to prepare the workforce for the future. The first thing they can do is help their workers read. Seven hundred thousand New Jersey adults are functionally illiterate. Many of them hold down jobs, living in fear that the boss may ask them to read an employment form or explain a safety instruction.

We all know Ben Franklin's

statement that nothing is sadder than a lonely man on a rainy day who does not know how to read. To me nothing is a bigger waste of talent than a lonely man in a brain-based economy, who doesn't know how to read and write.

I call on New Jersey businesses to join Saul Cooperman's ambitious volunteer adult literacy program. I urge them to look for ways to teach reading and writing at the workplace, where the skills are so desperately needed.

I would like to make one other proposal to show the State's commitment to be working partners with industry. Right now, some of our community colleges develop special training programs for local communities. I want to make our community colleges even more sensitive to businesses' changing needs. I propose we spend additional money for small matching grants that businesses can use to shop around and find the community college that will develop the exact training programs they desire.

In the Grant Thornton survey taken last year, New Jersey ranked 12th in the nation in the availability of a competent workforce. That was a decent mark and it directly affects our productivity and the quality of what is produced here.

But we cannot be satisfied with only decent marks. If New Jersey is going to compete in the world marketplace, our workers must deserve the best marks. These programs I have outlined will do just that.

## THE GOLD COAST

A generation ago, thousands of people in Hudson County earned their living by "making the shape" on the waterfront. This past year I began to think I had joined them.

I was on the waterfront so often last year I began to look around for Karl Malden and Eva Marie Saint. But instead of the dockworker's grappling hook in my hand, I held either scissors or a shovel, and a speech.

Nineteen-eighty-seven was a year for ribbon cuttings, ground-breakings and announcements on the banks of the Hudson. It was the year when our dreams for the Hudson Waterfront became concrete.

The events of the last 12 months have confirmed the truth of what

Alexander Hamilton uttered 200 years ago: a great city will rise on the west banks of the Hudson River.

No place in New Jersey will produce more jobs in the next two decades than the burgeoning Hudson Waterfront. The grandchildren

of Hudson County's factory workers and stevedores will be employed in modern glass skyscrapers, using the latest in high-tech office machinery.

We now estimate that by the year 2003, the Hudson River waterfront will create 100,000 new jobs—as many new jobs as were created in the entire state last year. In addition, development on the waterfront will create 32,000 residential units, 3.5 million square feet of retail space and almost 6,000 boat slips.

Developer forecasts for waterfront office space have increased 70 percent—to 35 million square feet—since I signed Executive Order 53 creating the Governor's Waterfront Development Office and the Governor's Waterfront Development Committee in 1983.

Much has happened in the past year to bring our dreams to reality.

This summer Sam Lefrak finished the first phase of residential development—1,500 apartments—at Newport in Jersey City. In November, his partner, Mel Simon, held the grand opening for Newport Centre, a magnificent urban shopping mall with Sears, J.C. Penney and Stern's as anchor stores.

In June, Harborside Financial Center announced plans to triple



*We now estimate that by the year 2003, the Hudson River waterfront will create 100,000 new jobs—as many new jobs as were created in the entire state last year.*

its proposed development at Exchange Place in Jersey City to 6 million square feet.

In July, Arthur Imperatore and Hartz Mountain agreed to develop 80 acres of Imperatore's Arcorp property in Weehawken. One thousand units of housing and 2.1 million square feet of office space are scheduled for completion in late 1988.



In August, Port Liberte in Jersey City hosted the 100th birthday celebration of the *International Herald Tribune* and also celebrated completion of 363 magnificent waterfront townhomes across from the Statue of Liberty.

In October, First Jersey and the GRAD partnership topped off the steel skeleton of the state's tallest building, Exchange Place Centre in Jersey City.

And in December, Colgate Palmolive announced it would tear down its 167-year-old factory on the Jersey City waterfront to build an office complex the size of Rockefeller Center.

All in all, it was quite a year.

The Gold Coast will not only be an economic powerhouse. We believe it will be the most picturesque, most liveable, most accessible waterfront development in the world.

Along the banks of the Hudson

will be constructed a magnificent promenade which will open the river up to all who come there. For the first time since the advent of

***The Gold Coast will be the most picturesque, most liveable, most accessible waterfront development in the world.***

the railroads in the late 1830's, the river will belong to the people.

All this development demands a modern transportation system. Planning continues for construction of a light rail system along the waterfront. Of course, building this system will cost money. Government and private developers will have to share the expense, as they will with environmental improve-

ments and affordable housing. Shortly, I will be receiving a report from my Office of Policy and Planning on the use of developer contributions to help pay for the waterfront infrastructure improvements. This study will have meaning not only for the waterfront but for other rapidly developing parts of the state as well.

Meanwhile, Liberty State Park continues to develop into the finest urban waterfront park in the nation. Last year the Department of Environmental Protection completed a 9,000-foot sea wall running the entire length of the park. Right now the Liberty State Park Development Corporation is searching for private corporations to help pay for the sea wall's walkway. Four firms have already pledged \$50,000 apiece.

With limited public money, the search for private funding to complete other parts of the park also



continues. Construction should begin soon on a 552-slip marina. Planning should begin on the park's public golf course, which will be the first 18-hole course for Hudson County. When completed both will generate revenue to help build and maintain the park.

Liberty State Park is already the most popular attraction in our state park system. Last year nearly 500,000 park visitors boarded Circle Line tour boats to the Statue of Liberty. This year the eyes of the nation will be focused on the park as it forms the backdrop for the 1988 U.S. Men's Olympic Marathon Trials on April 24. The race will start and end at the park and wind its way through Jersey City, Hoboken, Union City, Weehawken, North Bergen and Guttenberg. ABC will cover the Olympic Trials live on national television.

Construction of the Science and Technology Center at Liberty State Park is scheduled to begin by mid-1988. A total of \$23 million has already been raised—\$18 million in corporate contributions and \$5 million from the state. An additional \$18 million will be raised from the private sector by the time construction begins next year.

The Circle Line tours are not the only boats plying the river these days. Up in Weehawken, Arthur Imperatore has expanded his ferry service to midtown Manhattan. Imperatore now shuttles more than 2,000 commuters a day to New York from his Arcorp property. We

eagerly await the resumption of Hoboken ferry service by the Port Authority in 1989.

### AT EASE

Tourism is the state's largest industry—worth more than \$13 billion in 1985. Millions flock to our beaches, mountains, rivers and parks. Millions more come to our casinos, racetracks and stadiums.

As usual the Jersey Shore was the leading attraction. A state-commissioned study of Shore tourism in 1987 showed that 8.6 million visitors spent \$7.7 billion at the shore from Memorial Day through Labor Day.

That was a good showing despite a garbage slick which washed ashore on Ocean County beaches. The resulting publicity effectively killed the last three weeks of the season. Ironically, the water quality at the shore was better this year than it has been in years. But it is the garbage slick that people remember.

I have pledged to do every thing in my power to see that garbage spills like that never occur again. Our ocean is too valuable a resource and tourism is too important an industry to have it fall prey to pollution.

I have asked your support for a Coastal Commission to provide a long-term solution to haphazard development on the shore. In November, I outlined a 14-point program to clean up our ocean and prevent the erosion of our beaches.

A day earlier we reached an agreement with New York City in which they agreed to better contain garbage at their Fresh Kills landfill in Staten Island.

I believe that these steps will go a long way toward reviving our shore area's pristine beauty. Our beaches are renowned all over the world for their loveliness. I do not want to disappoint one visitor.

A trip to New Jersey these days is not complete without a visit to the Meadowlands, home of the Super Bowl champion Giants. I know every New Jerseyyan swelled with pride when the Giants defeated the Denver Broncos last January and became our most recognizable world champs since Jersey Joe Wolcott.

Although both the Giants and the Jets had off-years in 1987, the Meadowlands continues to be the premier venue for sports in the United States. In March the Meadowlands Arena will again host the Eastern finals of the NCAA College Basketball Tournament. We also expect to see the Devils in the Stanley Cup Playoffs for the first time this spring.

The Meadowlands is not only a sports success. It has stimulated more than \$1 billion in private development throughout the Hackensack Meadowlands region since 1976.

In November New Jersey voters rejected a proposed \$185 million bond issue to build a baseball stadium in the Meadowlands. The



voters did not reject baseball. They simply rejected the way we were going to pay for it.

I still believe baseball has a future in New Jersey. Studies show New Jersey continues to be the greatest untapped baseball market in the United States. I will continue to work with you and with the private sector to develop creative ways of bringing the national pastime to the Garden State. We are a major league state. We should have a major league baseball team.

Last year was a record year for horse racing in New Jersey. The handle at New Jersey's race tracks exceeded \$1.2 billion—an all-time record. That ranks New Jersey as the third biggest racing state behind California and New York.

Without question we have the finest harness racing program in the nation. And on August 1, Monmouth Park was the scene of the year's top thoroughbred event—the Haskell Invitational. Thirty-five-thousand spectators watched as Bet Twice edged Alysheba and Lost Code at the wire. Bet Twice, who also won the Belmont Stakes, is owned by Bob Levy, trained by Jimmy Croll and ridden by Craig Perret—a great New Jersey team.

Over the last several years New Jersey's horse industry has grown rapidly into one of the finest in the country. To support this growing industry, the Department of Agriculture is supervising construction of the first state-sponsored horse

park at Stone Tavern. The first phase of the project, the show area, should open this summer.

The film and television industry also continues to grow in New Jersey. Last year filmmakers poured more than \$20 million into New Jersey's economy, a 10 percent increase.

The record-breaking year was topped off by the world premiere of Orion Pictures' "Throw Momma from the Train" at the historic Paramount Theatre in Asbury Park. It was a wonderful homecoming for the film's star and director, Danny DeVito, whose friends and family still live in the area. It was also an excellent opportunity to focus national media attention on the extensive renovation under way in Asbury Park. In the first week of its release, "Throw Momma" became the nation's top grossing movie.

Another shore town, Atlantic City, remains the nation's top tourist attraction, drawing over 29 million to its beaches and casinos last year.

In May, Bob Hope and I helped to open the city's newest casino, The Showboat. The Showboat not only has slot machines, roulette wheels and crap tables, it is the nation's premier facility for bowling. Major tournaments have already been held in the 60-lane facility.

The casino industry has been a boon for the entire South Jersey

area. In all, casinos now provide 42,000 jobs for New Jerseyans.

The casinos are not only good for the tourists and the employees. They also contribute to better lives for our most needy. Since the six percent tax on casino revenues was established, more than \$1.2 billion has gone to programs for our elderly and disabled. The Casino Revenue Fund may have topped \$200 million for the first time ever in 1987.

The growth of Atlantic City in the last decade has been astounding. An industry that did not exist 10 years ago today has gross revenues of about \$2.5 billion. I took great pleasure last year in reappointing the chairman of the Casino Control Commission, Walter Read, to a second five-year term. He and his staff and the other commissioners have done an excellent job regulating this complex industry and making it enjoyable for millions.

#### **DOWN ON THE FARM**

While it is widely known that tourism is one of New Jersey's leading industries, many people are surprised to learn agriculture is number three. New Jersey is second in the nation in production of blueberries, third in cranberries and peaches and fourth in asparagus.

But today farming in New Jersey faces an uncertain future. Development threatens to take the garden out of the Garden State.

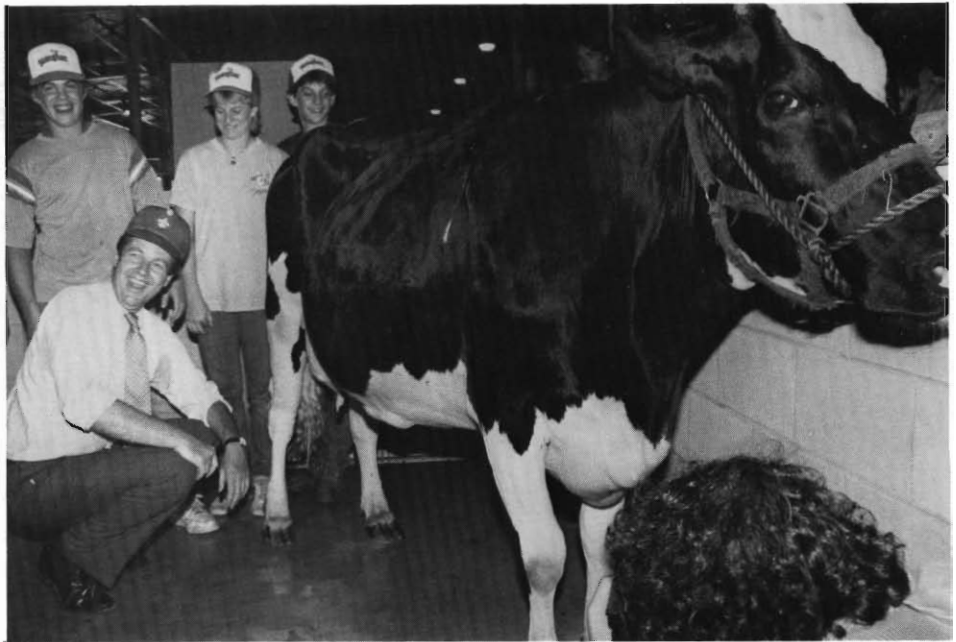
We are losing our farmland at an alarming rate. Since 1970, 17 percent of New Jersey's farmland has yielded to development. In the past two years development has increased markedly. Since 1985 nearly 100,000 acres of prime New Jersey farmland have gone for housing and suburban office parks. At that rate, New Jersey's irreplaceable farmland will be gone within the lifetime of today's teenagers.

Nineteen-eighty-seven may be remembered as the year New Jersey turned the corner on farmland preservation. Six years ago, voters approved a \$50 million bond issue for farmland preservation. But the program has been slow in taking off. One reason is that up until now the State has been allowed to merely match what the counties put up. In November a huge majority of voters approved a referendum, sponsored by Assemblywoman Maureen Ogden and Senator Raymond Zane, to spend farmland preservation funds more freely.

*Nineteen-eighty-seven may be remembered as the year New Jersey turned the corner on farmland preservation.*

The public gave the State approval to pay 80 percent, and in some critical cases, 100 percent of the cost for farmland development rights.

Since that show of voter support, we have seen a groundswell of activity in the counties. We anticipate up to 10,000 acres will be submitted for permanent farmland preservation in Burlington and Warren counties alone in the first part of 1988. Up until now only 1,400 acres have been permanently preserved statewide, with half that coming in the last year. Another 19,000 has been preserved on a temporary, eight-year basis. Now



with greater flexibility to work with the counties to preserve crucial farmland, we expect the acreage permanently preserved to rise rapidly.

Sixteen counties have joined our farmland preservation program. Five have successfully preserved farmland. Three more are well on the way.

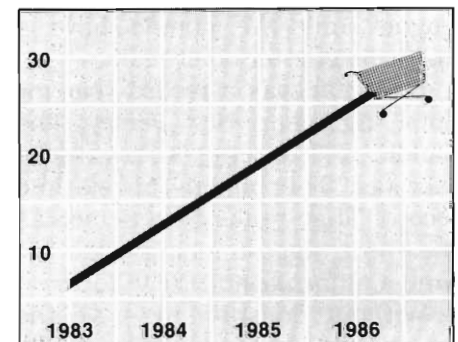
We need another tool to encourage farmers to stay on the land. It is a complex land-use technique called TDR, or transfer development rights. Under TDR, farmers can sell the development rights to their land to builders without selling the land itself. Builders who buy the rights can use them to build high-density housing in non-agricultural areas.

The benefits are twofold. Development in rural areas would be centralized and farmers' land would be permanently preserved as farmland. Assemblyman Robert Shinn has done a good job bringing this issue to the fore and I support his bill to create TDRs.

Farmers will think twice about selling their land if demand rises for their fruits and vegetables. That is why the success of our "Jersey Fresh" program, created by the Department of Agriculture under Commissioner Art Brown, is so encouraging.

Studies by the Gallup organization show that consumer awareness of Jersey produce has tripled since we began the Jersey Fresh campaign. And chain store oper-

#### NJ FRESH CONSUMER AWARENESS



ators report that New Jersey products now account for 35 percent of the produce they offered during the recent growing season, up from 12 percent in 1984.

Today half the meat and vegetables we put on our plates is Jersey-produced. So is a quarter of the milk and fruit.

Now we want to tell the rest of the country about our bounty. We are spreading the word about Jersey Fresh as far away as New England, Florida and Canada.

New York City residents began enjoying the delicious taste—and lower price—of New Jersey milk

last year. A federal judge ruled that New Jersey dairies had a constitutional right to sell milk in the city. New York had excluded our milk for decades.

New Jersey farming will remain one of New Jersey's top industries as long as we continue to expand markets and adapt new technologies. One way to do that, as I mentioned before, is to make Cook College one of the top land grant institutions in America.

Cook College is already pushing agriculture and food to its high-tech limits. Using greenhouse technology, Cook scientists are looking to expand the number of crops grown here. They have also established an aquaculture technology extension center to better harvest the sea.

Another project which will give agriculture its rightful place in New Jersey is the state Agricultural Museum at Cook College. In October of last year, I broke ground on the first phase of the museum which we expect to complete by the end of 1988. When the entire museum is complete, there will be 40,000 square feet of exhibition space, offices and preparation areas.

Very often when you build a museum you fill it with relics—things like dinosaurs or clipper ships that do not exist any longer. This museum will be different. In this museum we want to honor our traditions of farming, not relegate them to the past. We want to inspire our children to become farmers, not convince them the occupation is out of style.

## POWER

I mentioned earlier that New Jersey is attracting many New York City businesses. One reason is that our gas and electric costs are much cheaper. Despite that, we still have some of the highest rates in the country. We are working to reduce those rates and make our business climate even more attractive.

To cut energy costs, the Board of

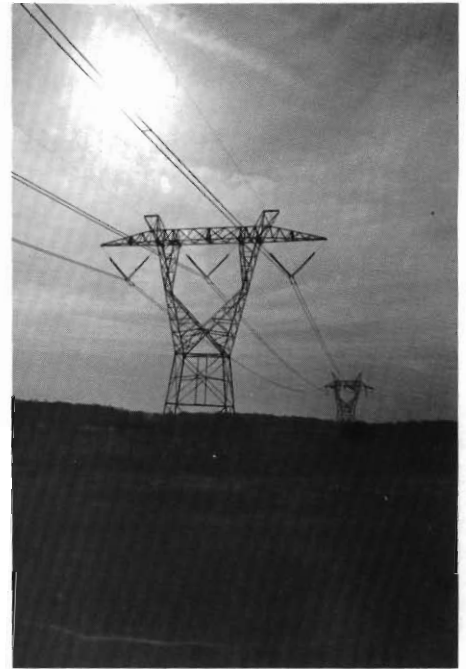


Public Utilities is encouraging utility companies to buy power from co-generators. Very often big industrial plants like Marcal or Tenneco produce excess electrical power when they run their steam turbines. This electricity can be sold to power companies at reduced rates. The end result is lower prices for residential and industrial consumers.

Last year I created a Task Force on Market-based Pricing of Electricity. Its job is to develop incentives for utility companies to provide electricity as cheaply and reliably as possible. The task force is investigating a bold new approach which would reward efficiency in power generation. It would also ensure that both utility owners and customers are not harmed by past business decisions. I believe that a lot of progress has been made and I look forward to this next phase of their work.

Progress has also been made on reducing the price of natural gas. Lower supply costs mean residential customers will be paying less this winter for natural gas. Last year PSE&G reduced its rates by more than five percent for residential customers. JCP&L cut its rates about two percent.

New Jersey is growing. And economic growth means growth in energy consumption. We have to figure out new ways to provide more energy for our people. Co-generation is certainly one of them. I look forward to working with you to seek new ways to fuel our industries and light and heat our homes.



## MANAGING THE BOOM

New Jersey is America's most developed state. It is far more like Japan or the Netherlands than Utah, Wyoming or even New York. While we have unlimited potential for success, we are limited in natural resources, especially our land and water.

As we set out to compete with other nations, we should learn from them as well. Like these smaller, highly developed nations, we must better plan our future.

The economic development we have recently experienced has been exciting—and yet it is a bit frightening. If we are not careful, our success could be our undoing.

The value of land is booming, and that has brought pressure to develop our dwindling open space. For the first time last year New Jersey real estate was assessed at more than \$200 billion. Land along I-78 has risen to as much as \$500,000 an acre from as little as \$20,000 a few years back. In the past year the price of farmland statewide increased by more than a third.

Our residential building boom has still not exhausted the pent-up demand for housing. Last year Hovnanian Enterprises opened the

first 250 units of its Society Hill Development in Mahwah, Bergen County, and received 15,000 applications.

For local communities, the temptation is great to plunge ahead with development, no matter what the cost to our peaceful countryside and our increasingly over-taxed highway system. It was reported last year that officials of one Somerset County township have zoned their community for more than 70 million square feet of new office and commercial development. If those buildings ever get built, they will require widening Route 206 to 18 lanes to accommodate the traffic.

Development like that would not just affect one township or even the other towns in Somerset County. It would affect the entire state. To continue to grow and prosper we must wisely plan our development beyond the next year or even the next administration.

That is why I eagerly await the draft report of the State Planning Commission you established in 1986. The Commission is developing a state Development and Re-development Plan as a guide for land use well into the 21st century.

Some have criticized the whole idea of planning as threatening home rule and endangering growth. A good plan does neither. Instead, it promises that the state will work with local officials and business leaders to plan the right kind of growth for New Jersey.

The draft plan released by the State Planning Commission this winter will undergo an exhaustive six-month process of review. Every county and municipality will have the opportunity to study the draft plan's local impact and recommend changes. Conceivably, local governments could choose not to concur, but all this must transpire before a final plan is adopted by the Commission.

Enacting a master plan for growth will put New Jersey in the forefront of states concerned about keeping life liveable for their people. New Jersey would become the third state in the nation, after Oregon and Florida, to enact a statewide growth plan. It will show that we have reached a certain maturity, a realization that because our resources are finite, our imagination in dealing with problems must be infinite. We really have no choice if we hope to hand our children a state that is as beautiful as it is prosperous. Indeed, the two go hand in hand.

In this year that sees New Jersey undertake a bold new strategy to become more competitive in the world, I would like to think we will spend just as much energy making our lives more pleasant at home. Planning is the beginning.





## EDUCATION

**W**hile preparing this annual message I held a meeting with top advisors. They are bright people, educated at some of our top colleges and universities.

The discussion came around the new technology for transmitting electricity. I asked: what can state government do to encourage superconductivity's development? The ensuing discussion was superficial. It was clear that no one had a real grasp of this technology which, according to the National Academy of Sciences, will "determine whether the United States has a technological future."

A few days later I happened to glance at a newspaper article on Japanese reading habits. I was startled to learn that one of the hottest selling Japanese "mangas," or comic books, is a primer on superconductivity. Most Japanese ten-year-olds can not only define superconductivity, but can de-

scribe the technology's possible applications.

This story is not intended to disparage my advisors. Few Americans outside a small scientific community can talk in detail about superconductivity. And it would be difficult to find a book on the subject in all but the most narrow science libraries. But in Japan, where the pursuit of knowledge is a national pastime, you can learn about superconductivity in a comic book at your corner drugstore.

What this story and others like it prove is the size of the challenge facing American education. As I have said repeatedly, our economy can no longer depend on an educated elite managing a large contingent of workers with basic skills. Foreign workers with the same skills will work for a lot less than we will.

So the only way to compete with Japan and Korea is with the best educated workforce. If you

picked up a newspaper in 1987, you know that we are a long way from this ideal. Another series of reports told us how little young Americans know about the world around them. For example, one survey showed that more than a quarter of the 16- to 18-year-olds thought Franklin Roosevelt was president during the Vietnam War. Two-thirds of the students surveyed could not date the Civil War within 50 years.

Geography was not our students' strong suit either. A quarter of the high schoolers surveyed in Dallas could not name the country that borders the U.S. on the south. Fifty percent of the high school students in another survey could not locate Japan on a map. And these reports diagnosing American students' historical, geographical and cultural anemia followed nearly a half decade of other reports showing that our students have slipped behind the rest of the world in reading, math, science and foreign languages.

We are falling behind. We must summon every bit of energy and imagination to improve our schools. If we do not better educate the next generation of Americans, we will not compete in the world economy. It is as simple as that.

### THE EDUCATION STATE

Fortunately, this serious message is not new to our ears. Six

*Secretary of Education William Bennett last year rated the state's education reform efforts. Said Bennett, "It is hard to find any state that has done more than New Jersey."*

years ago, when I assumed office, we decided to give education more money and attention.

With the leadership of Educa-

tion Commissioner Saul Cooperman, who *The New York Times* last year called "one of the country's most visible and productive educational innovators," we have begun more than 30 separate reforms, touching everyone in education—from students to teachers to administrators and parents.

We have known from the beginning that we cannot have great schools without great teachers. So we became one of the first states to raise minimum salaries for teachers. We tightened teacher certification standards, and required students majoring in education to spend less time on theory and more time studying the subjects they will eventually teach.

We began an "alternate route" to attract talented people from other professions to the classroom. "A brash idea, but a good one," said Ernest Boyer of the Carnegie Foundation. Now one out of five teachers we recruit comes through the alternate route.

We knew that the best way to





keep our good teachers was to offer them opportunities for professional reward and renewal. So in January, 1985, we opened the Academy for the Advancement of Teaching and Management, in Edison. Over 1,500 teachers attended the Academy and the waiting list is long. And for the past two years I have given annual awards of \$1,000 to nearly 3,500 outstanding teachers in the state.

As a result of these and other efforts, New Jersey today may be the only state that has increased the quality and the quantity of its teachers the past three years.

We recognize that urban schools may be our most difficult challenge. So New Jersey has become a leader in helping urban students.

We start by providing millions in remedial education funding to prepare city students for the basic skills test. Our programs include summer institutes for city students who are weak in math, read-

ing and writing, and we reward the districts that do the best job.

Then we work with individual districts on problems that seem endemic to urban education. Ferris

*We are not just trying to make schools like they were in the "good old days." We are trying to take our schools to a higher level than they have ever been before.*

Bueller may have had a good day off, but truancy is not something we want to encourage among our city students. So the Department of Education works to improve attendance rates, as well as city students' behavior and their performance on basic skills tests.

English is often a barrier to

achievement for many Hispanics and other minorities. We have special programs to teach children English while they take other courses.

Many city children come from broken homes. They need someone to talk about drugs, family problems or just growing up. So our new School-Based Youth program provides counseling in the schools themselves.

One thing urban students need to know is that if they study hard and resist temptations they will get ahead. So last year we began a new program, 10,000 Jobs/10,000 Graduates, to guarantee a job in private industry for graduates of city high schools. Last year, 21 districts joined this program. In 1988, we hope to recruit 10 to 15 more.

From discouraging truancy, to finding good jobs for graduates, the State tries to help urban schools with almost every problem they encounter.

But our efforts are not just directed at teachers and cities. We have other programs that improve the environment in all schools.

Over the past 20 years, for example, a body of research has been accumulated on what makes the best schools work, including things like strong principals, good codes of discipline and clear lines of authority. In our "effective schools" program, we share that knowledge with 17 New Jersey schools so that they can better serve their students.

The atmosphere in schools is sometimes poisoned by tensions that form during bargaining between teachers, administrators and the school board. Annual school negotiations sometimes resemble a Flyers-Devils hockey game. The combatants leave the arena vowing to get the other side later. So last year we began to work with individual districts on a special project to give administrators, teachers and school board members a forum outside the negotiating process to sit down and solve problems.

Some of our efforts have gone

beyond the schoolyard. For example, we are beginning the second year of a program to recruit a volunteer network to teach illiterate adult New Jerseyans how to read and write. The Literacy Volunteers of America has already called the program the best literacy program in the country.

From our literacy program to our alternate route to our urban initiative, the rest of the country is noticing, and in many instances copying, New Jersey reforms.

Secretary of Education William Bennett last year rated the state's education reform efforts. Said Bennett, "It is hard to find any state that has done more than New Jersey."

Ernest Boyer, a bit tougher grader than Secretary Bennett, gave New Jersey a solid B+, still a higher ranking than virtually every other state.

New Jerseyans themselves are noticing the improvement in the schools and our efforts are showing up in our students' test scores.

According to a *Star Ledger* poll in October, 53 percent of New Jer-

seyans believe their local schools are good or excellent, up eight points from two years ago.

New Jersey students' SAT scores were up three percentage points in 1987, while students' scores in Pennsylvania, Connecticut, New York and Delaware declined. Our verbal scores are up three points and math scores are up 13 points over the past five years, one of the largest percentage jumps in the country.

I am proud of the progress we have made. I believe we are just beginning to see the first results, because many reforms will take years to affect our students. As Secretary Bennett put it, "The reforms New Jersey has recently instituted promise future high performance."

In the coming year, we hope to see real progress on some of the reforms we unveiled last year. Last October we began a campaign to teach New Jersey parents what they must do to improve their children's education. We want parents to read to their children every night, provide a quiet place to study and make sure their children get to school on time.

This March the education department will take the next step by working with several schools to get parents more involved with teachers and administrators and make them more aware of their children's progress.

As I said earlier, effective schools research has shown that strong principals are one major determinant of good schools. Last November, two independent panels reported on ways to strengthen the training and recruitment of principals. They recommended, among other things, that new principals earn a master's degree in management and leadership skills. And they suggested residency programs for prospective principals, much like young doctors go through, so that new principals are better prepared when they take the leadership reigns.

The Board of Education will consider these and other recommen-



dations this spring. I strongly support this approach.

As I write, one other reform is prepared to take off. After two years of hard work and intense negotiations, you are about to give the State the authority to intervene in those school districts that repeatedly fail our youth.

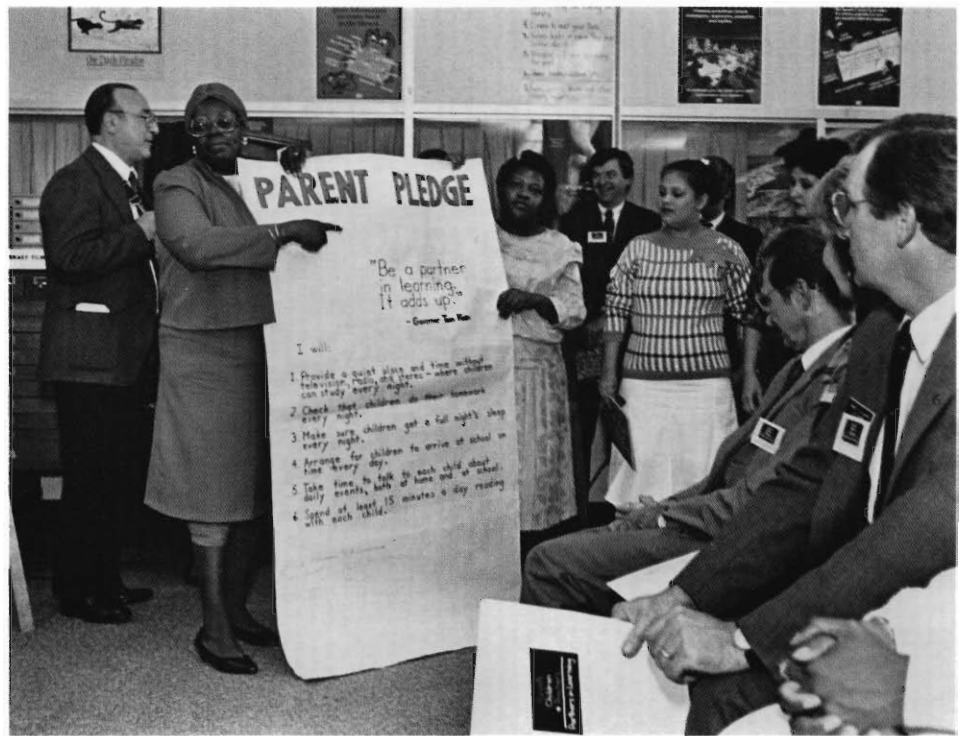
The fight for school intervention has been long and sometimes contentious. It would have been very easy to put this issue at the bottom of our list of priorities. After all, the city kids who are the victims of these schools do not vote. The groups interested in the status quo are powerful and well-connected. But we made the effort, and it was worth it. I want to give special praise to the legislators who did what was right for the children.

I want especially to thank Assembly sponsors Joe Palaia and Frank Garguilio, and Senator sponsor Jack Ewing, as well as Senate Education Committee Chairman Matty Feldman. These four never stopped pushing for this controversial bill. I owe special thanks to Assembly Speaker Chuck Hardwick, who put this bill at the top of the Assembly's agenda. Finally, I want to thank Senate President John Russo. Although we had some disagreements, Senator Russo posted the bill on numerous occasions. For that I am grateful.

As you know, several districts have failed two levels of state monitoring and are now candidates for takeover. I hope we do not have to intervene, but we will if someone else does not fix the schools. It is up to the educators and elected officials in these districts to accept responsibility for their schools and take action to improve, so that State intervention is not necessary.

School intervention is a dramatic reform. It has captured the attention of people from Maine to California. Last year the nation's governors endorsed the idea.

Once we have acted on an idea this controversial, it is tempting to conclude that we have exhausted the education reform agenda.



But we should not kid ourselves. The Japanese 10-year-olds with their superconductivity comic books will not be impressed with a jump in any SAT's, polls showing more New Jerseyans like their local schools or the end of a two-year battle over school intervention. We have a lot of ground to make up. We are not just trying to make schools like they were in the "good old days." We are trying to take our schools to a higher level than they have ever been before.

Despite our progress with intervention, and despite our leadership in everything from teaching reform to urban education, we still face glaring problems.

In 1988, I want to tackle those problems. I propose we concentrate on five unresolved issues, each one central to our ability to give our children the education they deserve.

First, we still face a "basic skills" gap more dangerous than the "missile gap" President John Kennedy decried in the 1960's. So I will recommend that we raise our high school basic skills test to the 11th grade.

Our basic skills test emphasizes the paramount importance of the

"basics," reading, writing and math. Yet certain core values are just as basic to our children's education and our democracy's survival. This year I want to bring those values back to New Jersey schools.

Third, despite the fact that New Jersey does as much to help urban students as any other state, we find many of our efforts fall short because city children arrive at kindergarten burdened with problems they never shake. So I propose we start pre-school programs in a number of urban schools.

Fourth, we have invested more than virtually every other state in teachers, students and schools. Yet parents and taxpayers still have a difficult time knowing what they are getting for their money. So I propose we start school report cards, to provide this information and to allow us to reward schools that really do the job.

Finally, I want to explore the idea of letting parents and students choose the public school they want to attend.

This agenda is lengthy and ambitious. Some of these ideas I know will be controversial. But all of these problems must be solved if



we are going to sustain the momentum and keep our promise to give every New Jersey child the very best system of education in the country.

### RAISING THE BAR

New York Telephone decided to do some hiring last spring. The company needed people to work as operators and do other entry level jobs. The company was flooded with applicants, but they are still looking for help. Why? Because only 16 percent of the applicants could pass the basic English skills test.

Polaroid Inc. has a similar problem. The company is in danger of losing market share to international competition. It needs to spend every possible dollar on research and development. Instead, the company has to pay to enroll one out of three hourly employees in a program to teach them high school skills. "We don't do this to be nice guys," a company spokesman told the *Wall Street Journal*.

Over and over the same lament is heard: "American young people cannot read, write, spell or multiply." Business leaders say it. Army sergeants say it. College professors say it. The dropouts do not spark the complaints. It is the high school graduates who cannot run a cash register, understand safety instructions on a submarine or pass a freshman English course.

It is a cruel hoax to give a high school diploma to students who cannot read and write. And it is equally unconscionable for our schools to blithely pass their failures on to our businesses, military forces and colleges.

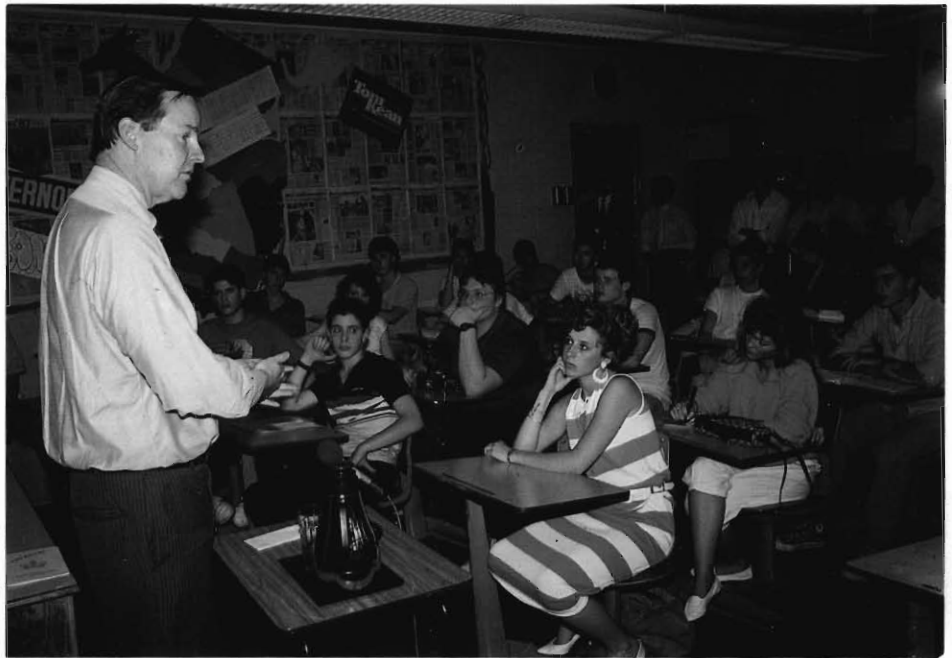
That is why three years ago we began a new High School Proficiency Test (HSPT). Administered first in ninth grade, the test measures a student's ability to interpret reading passages, solve multiple-step math problems and write a coherent essay.

Five years ago, when I first proposed that the HSPT be made man-



datory for graduation, some people complained. They argued that many children, especially city children, would fail the test. They argued, in effect, that certain children were incapable of learning enough skills to get through the ninth grade.

The opposite has been true. New Jersey students and schools have responded splendidly to the challenge of the HSPT. Last year, 77 percent of the students passed the math part of the test, up 24 percent from when the test was first administered in 1984. Ninety-one percent of the students passed the



*Arguing that passing the HSPT guarantees that a graduate has a full high school education is like arguing that someone who can play "Edelweiss" is an accomplished pianist. It is just not true.*

reading portion, compared to 65 percent in 1984. I am most impressed by the performance in urban areas. Math, reading and writing pass rates have all increased by more than 25 percent since 1984, when the test was first administered.

The doubters have been proved wrong. Children *can* learn, and schools *can* teach, with proper incentives and the right assistance.

That is the key phrase: "right assistance." We did not just start the HSPT and walk away. To the contrary, we began a number of state programs to prepare students to pass the test.

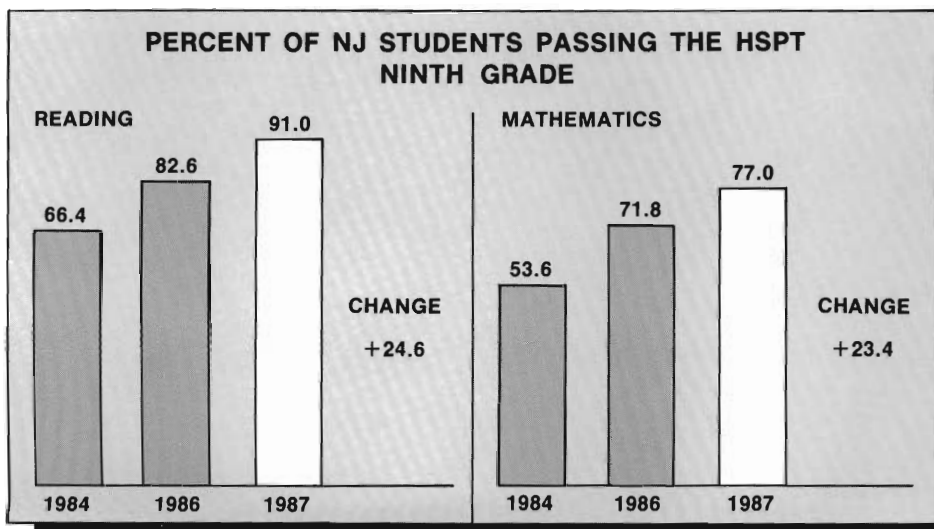
Last year we spent \$158 million on remedial programs to help students prepare. The Department of Education worked with local schools to bring curricula in line. We sponsored summer seminars for high school sophomores who

are in danger of failing the test. And last fall we set aside a special pool of money to reward districts that move students out of remedial education quickly.

Our efforts are paying off. New Jersey high school students have studied hard and risen to the challenge. That is why the number of passing grades has risen so dramatically.

But we must not become complacent. The HSPT is only a measure of the most basic skills for a ninth grade student. Arguing that passing the HSPT guarantees that a graduate has a full high school education is like arguing that someone who can play "Edelweiss" is an accomplished pianist. It is just not true. We should not be satisfied until we can tell our business leaders and college professors that New Jersey high school graduates are fully prepared for the world before them.

Therefore, this year I will put before you legislation to move the HSPT to the 11th grade. Students would first take the test December of their junior year. If they were to fail the first time, students would be allowed to take the test again in the spring of their junior year and if they failed again in the fall of their senior year. As we do now, we



would provide extensive help to students who are having problems passing the test.

The department would revamp its remedial and training programs to prepare for the 11th examination. As a first step, the department would administer an "early warning" test at the end of eighth grade. Students who are having trouble with math, reading or writing would enroll in special courses, giving them three years to prepare.

I want this new test to be a requirement for a New Jersey diploma beginning with students who enter the 11th grade in the 1993-94 school year. Students will be given early-warning tests, in the 1990-91 school year.

As they did five years ago, I am sure some people will argue that students cannot meet such a rigorous standard. My argument today is the same as it was then, only it is bolstered by more evidence. We have seen our children and schools live up to a great challenge. It is now time to raise the bar. I know our children can do better. Let us give them the opportunity.

### THE CHARACTER ISSUE

Nineteen-eighty-seven was not a good year for ethics in America. We cringed at the sights of investment banker Ivan Boesky being led away in handcuffs from his Wall Street office; of former White House aide Michael Deaver convicted of lying before a congressional committee; and of televangelist Jim Bakker, accused of taking money from his People That Love (PTL) followers and spending it on extravaganzas like a gold-plated doghouse.

While we take our ethical temperature from the foreheads of the most prominent and publicized, there is a pervasive feeling that we have broken loose from our moral moorings. The values and beliefs on which this country was founded—honesty, compassion, self-discipline and faith in our creator, to name a few—have been put in the closet with the hula hoop and the victrola.



These values have been replaced by moral relativism, or, as Allan Bloom put it in his best-seller, *The Closing of the American Mind*, "a (belief) that all values are relative and determined by the private economic or sexual drive of those who hold them." This is a long way from the family "knit in brotherly affection, labor and suffering" which John Winthrop praised in

signing the Mayflower Compact.

Much of our moral relativity stems from the weakening influence of home and church. But some fault also must be found with our schools.

At their best, schools should reinforce the moral lessons a young child learns elsewhere. A good teacher teaches more than how to diagram a sentence, he or she





teaches us how to live in a democracy. A seventh-grader, reading *To Kill a Mockingbird*, must come to understand the cancer of prejudice.

Unfortunately, our schools have not always lived up to this responsibility. Afraid of teaching the "wrong" values, too many schools teach no values at all. Shakespeare and the Prodigal Son may be dropped from courses and replaced with duller, "less controversial" ideas and stories. Teachers shy away from asking questions like, "What is patriotism," and "Why is it important?" Or, "Do we have a moral responsibility to care for the poor and less fortunate?" When it comes to values, no message is in itself a message, one that can undermine all our efforts to improve our schools.

In the year ahead, I want to take the first major step toward putting values or character education back into the schools. It will not be an easy thing to do, but Commissioner Saul Cooperman has come up with a plan that I think will work.

This spring, Commissioner Cooperman will name a distinguished panel of New Jersey leaders from business, education,

government, religion and other areas. The panel's job will be to define a common core of enduring values which all New Jerseyans believe should be promoted.

I believe this debate will be extremely healthy and important. New Jersey has one of the most diverse states in the country, a patchwork quilt of religious and ethnic cultures. Yet I am certain we can agree on certain core values we wish to guide our young people's lives.

Once these values are agreed upon, and released in a report early next year, the Department of Education will begin to work with local districts to incorporate the values into their curricula. For example, the department may recommend certain materials that do a good job of expressing the values we deem important. And we can provide training in values instruction to teachers.

I believe this is one of the most important initiatives we can undertake, not only this year but throughout the next decade. As President William McKinley said almost 100 years ago, "When acquiring knowledge, there is one

thing equally important, and that is character. Nothing in the world is worth so much, will last so long, and serve its possessor so well."

### FIRST DAY OF SCHOOL

One of my favorite stories concerns Albert Einstein. The great genius did not speak a word for the first three years of his life, and his parents were terrified that something was wrong. Finally, one night at the dinner table, young Einstein looked at his mom and dad and said, "This soup is too hot." "Why didn't you say something earlier?" his surprised father asked. Einstein replied, "Because up to now everything has been in order."

If you talk to two-, three-, and four-year-olds in some of our major cities, you realize that everything is

*Asking poor city children to compete with other children is like asking runners to compete in a 100-yard dash, but forcing them to begin ten yards back from the starting line. Only a few will make it.*

"not in order." One out of three of these children lives in poverty. More than half grow up in homes with only one parent. Some are malnourished and they compete for precious attention from one parent who has to work and often raise five or six children. More than 40,000 three- and four-year-old children in New Jersey face these problems.

This is not something pleasant to think about. And it is made more unfair by the fact that we expect these city children to eventually compete with their more fortunate cousins. Asking poor city children to compete with other children is like asking runners to compete in a 100-yard dash, but forcing them to begin ten yards back from the starting line. Only a few will make it.

Last year a group of business leaders, the Coalition for Economic Development (CED), took a look at this problem. They called for a huge national investment in pre-school education. Former Proctor & Gamble Chairman Owen Butler, argued that if we do not help these children early, we may not be able to help them at all. They will eventually drop out and our society will be

drained of desperately needed talent.

Fortunately, we know the kind of program that can help in this area. Head Start is that rare legacy of the Great Society, a federal program that is cheered by liberals and conservatives. Research on Head Start and similar programs has shown that early education can increase a child's reading and math ability, make it less likely that a child will be forced to repeat a grade, and give the child more self-confidence and a healthier attitude toward school and life.

Because of the success of this program, last year for the first time we provided extra state money to increase the number of children who can participate in Head Start.

With this increased funding, Head Start now serves 9,700 three- and four-year-olds in New Jersey. This is a good number to be sure, but it represents only about one in five of the children who need this kind of help. Most other pre-school programs are too expensive for urban parents and lines at state-subsidized child care centers are lengthy.

I want to do more in this area. In 1988, I am asking the Department of Human Services and the Depart-

ment of Education to work together to begin five pilot programs to provide pre-school education and child care for city children.

Three of the pilot programs will be run by the Department of Education. Local schools will use their teachers to provide the services. If necessary, they will recruit local child care providers for any after-school care that is needed.

The other two sites will be run by the Department of Human Services. Community-based Head Start programs will work with the schools to provide the services. Here again, pre-school education and child care will be provided under the same roof.

In both instances, urban districts will compete for the new program. Districts with large numbers of poor students, and students lacking in basic skills, will be first in line for the pilot program.

This program represents an unprecedented partnership. Two state agencies will be sharing their experience and creativity to solve one of the toughest problems we face as a state. The program will be the responsibility of Saul Cooperman and the Department of Education, but Drew Altman and the Department of Human Services will work hand-in-hand to give these children the early help they need.

I hope Commissioners Cooperman and Altman will make this program a model to show how state agencies can work together to solve problems which know no convenient boundaries.

When I talk about education, I love to quote John Kennedy's famous admonition that "a child miseducated is a child lost for life." We cannot afford to lose New Jersey children before they even enter kindergarten. As the business leaders at CED remind us, every dollar we spend on quality pre-school education is money we save later in remedial education, school discipline programs and, eventually, welfare and prison costs. We desperately need the talents of every New Jersey child. Let us make





a small investment now in pre-school education so we can guarantee that more children get their deserved place at the starting line.

#### THE SCHOOL REPORT CARD

More than forty million Americans own stock in public companies like Schering-Plough, Hoffman-LaRoche or Merck & Company. To find out what is happening to their investments, these investors can look at price-earning ratios, balance sheets, or plans to enter new fields or product lines. They can get this information from a number of sources: a stockbroker, the business column in their local newspaper or television.

Compare this situation to what we know about the local school to which we send our children. While information on student test scores,

dropout rates and graduation rates is available, you need to be a cross between Columbo and Bob Woodward to get it. So parents and con-

*What New Jerseyans will find out is how their schools match up against other schools on things that really matter in education, like dropout rates, attendance and academic performance.*

cerned citizens are left with two sources: information put out by the school itself; or "skuttlebutt," the endless supply of rumors and stories from the PTA, neighbors or

children themselves. New Jerseyans do not have a place they can turn to get an objective and authoritative evaluation of their local schools.

I do not think this is right. Children are the most important people in our lives. We ought to have some way of measuring what kind of return we are getting for the investment we make in their education. So I propose that this year the Department of Education begin to issue report cards for schools in the state. The department will put together information they already acquire, including student scores on basic skills tests in third, sixth and ninth grades, daily attendance records, graduation rates and dropout rates. They will add to this new information, annual student scores on the SAT.

All this information will be

boiled down to a report card, which will be made available to every interested parent and local taxpayer. Just as students bring home their report cards to parents, schools will present report cards to the people who support them.

This will not be a complicated document. It will not read like *Finnegan's Wake* or the "easy-to-assemble" instructions for the computer games received for Christmas or Hanukkah. The information will be presented simply, clearly and in plain English.

What New Jerseyans will find out is how their schools match up against other schools on things that really matter in education, like dropout rates, attendance and academic performance.

Along with providing information to interested parents and taxpayers, I want to use the report card to reward schools that are getting results or showing improvement. Those schools that excel will be eligible for awards from the Department of Education.

I think the school report card is an exciting idea. By holding schools more accountable, and by doing it in a fair and consistent manner, we will provide incentives for all schools to improve. By providing clear, concise and important information, we make it easier for parents and concerned taxpayers to get involved in their school's operation.

The first report card should be released in the fall of 1989, for the 1988-89 school year. As New Jerseyans acquire more precise information about their schools, I am confident they will believe, as I do, that most New Jersey schools are doing a good job. With this information in hand, they will be even more willing to make investments in education.

### **"CHOICE"**

Earlier I described the philosophy behind our school intervention program. I unveiled a new school report card to give parents and taxpayers more information



about their schools. These initiatives both promote "accountability," which was the dominant theme in education reform around the country last year.

Scan the horizon of education reform and you see another theme emerging. It is even more controversial than "accountability." It goes under the heading of "public school choice."

Proponents of public school choice, like David Kearns of the Xerox Corporation, like to draw an analogy with the world of business. Run a lumberyard in Trenton, they say, and you pay strict attention to your customers' needs. If sales start to slump, you might improve your inventory, change personnel or cut prices. Choice proponents argue that schools would perform better if students, like lumberyard customers, are given some discretion in the schools they can attend. They point to schools, notably in Minnesota, Massachusetts and New York City, that are experimenting with public school choice on a limited basis.

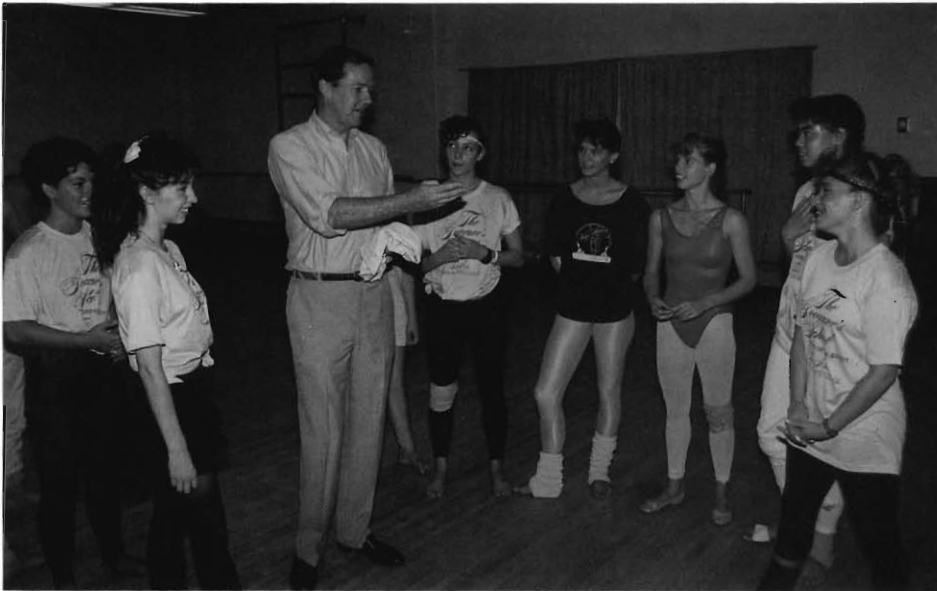
Choice has many intrinsic attractions. Parents and students that choose a school may be more committed to making it work. Parents of children with special needs might be able to choose the

schools that best meet them. Perhaps most intriguing, I have noticed real entrepreneurial spirit among great educators. Choice may give these great principals and teachers another incentive to improve their schools.

Public school choice also raises a number of questions. Does an analogy to the business world apply? During the past ten years we have deregulated the telecommunications, trucking and airline industries to give customers more choice. This has produced mixed results. Education, a regulated monopoly, may be too different from more traditional businesses to allow choice, or deregulation, to work.

This is a question worth pursuing. In the coming year, I want Commissioner Cooperman to study whether public school choice can be applied to New Jersey schools. Are there ways to let parents choose the schools they want their children to attend? Are there ways to let educators design schools that are more responsive to students and parents?

The study should be broad and exhaustive. But let me be clear. I am not talking about tuition tax credits. Instead, I want Commissioner Cooperman to examine



the most important questions surrounding public school choice. Is there evidence that choice actually improves schools? Is choice possible with our existing system of school administration, transportation and finance? Does the public support choice?

I eagerly await the answers to these and other important questions. I do not want to prejudge the study. I am proud that New Jersey reforms so far have been developed with a dispassionate, objective, eye. We shy away from simple answers to complex problems. Yet we owe it to our children to take a close look at any idea that may help improve our schools.

I look forward to input from educators, administrators, parents, teachers, students and taxpayers on this important question. Next year I hope to be able to weigh the results of this study and determine whether New Jersey should move ahead in this area.

#### **OTHER CONCERNS**

I have just described my five major new priorities in education in 1988—raising the basic skills test to 11th grade, laying the groundwork to teach character in our schools, providing pre-school education to our urban students, beginning school report cards, and exploring the option of choice in

New Jersey schools.

Two other areas also deserve our attention this year.

We have ignored no one in our drive to make our schools better. We began with teachers, and turned to school board members and principals. Last year we included school business managers.

This year I want to turn our attention to superintendents. A superintendent's job is tough. They are expected to have the knowledge and intellect of John Gardner to set education policy; the diplomatic skills of Averill Harriman to get along with their diverse constituencies, and they must, like Douglas MacArthur, inspire diverse people from principals to clerical workers, to get the job done. And they must do all this under intense scrutiny from both press and parents.

Superintendents' jobs grow more difficult. Yet the process of training and recruiting them has not changed for decades. This year I call on Commissioner Cooperman to begin to study superintendent certification. As he did with school principals, I want him to provide recommendations on ways to strengthen preparation for this demanding job to guarantee quality superintendents in all our counties.

One other issue deserves action.

Every summer 300 of the brightest high school juniors in New Jersey travel to Monmouth College, Trenton State College and Drew University to submerge themselves in a month of intensive study in public policy, the arts and the sciences. I visit these students at the Governor's Schools, and when they return home they and their parents invariably write me letters about the program.

David and Marian Rocker of Short Hills told me, "Our son has never been more happy and stimulated." Scott Clawson of Califon concluded, "The Governor's School was a once-in-a-lifetime opportunity, and I will always cherish fond memories of it. My only regret is that it had to end."

The Board of Advisors of the Governor's School, chaired by Alex Plinio of the Prudential Insurance Company of America, has examined these three programs and concluded that we run some of the best Governor's Schools in the country. The Board has recommended, and I agree, that we should make this opportunity available to 100 more high school juniors.

Therefore, the budget I submit to you next month will include funding for a fourth Governor's School program, a Governor's School in the Environment, to be located on the campus of Stockton State College in Pomona.

This school will be the first of its kind in the country. Students will be exposed to the various disciplines that affect environmental policy. They will study science, for example, to learn how resource recovery facilities safely burn garbage. They will read about John Muir and Gifford Pinchot and the other conservationists who remind us of our moral duty to protect our water, air and land. And they will talk to business leaders about ways to balance environmental protection with the need to continue to provide good jobs for all New Jerseyans.

In short, this Governor's School will be a laboratory to wrestle with

the kind of environmental problems that our generation has had difficulty solving. I hope that when the students leave this new Governor's School and take their place as leaders in government, education and business, they will be better equipped to solve these pressing problems.

I am excited about this fourth Governor's School. I know Assemblyman Doc Villane and Senator Wynona Lipman share my enthusiasm. I hope you will join them in supporting a new school at Stockton, to be open for business in the summer of 1989.

### THE CLASS OF 2000

Last September, over 900,000 school children left their homes for one of the most memorable days in their life—the first day of school. These kindergarteners will be New Jersey's class of 2000.

What kind of world will these children face when they graduate from high school?

Will their schools be creative, rewarding places, filled with great teachers and parents and administrators who care passionately about children? Or will they be buffeted by politics, infighting and patronage?

Will these students have acquired the complex skills to get great jobs, the kind of jobs in which they cannot wait to go to work in the morning? Or will they grow bored and bitter as they toil at demeaning labor? And will the American Dream—a good home, a family, work worth doing—be within their grasp or be viewed as a quaint anachronism?

No one knows the answer to these questions. But what we do know is that the fate of the Class of 2000 and classes that follow them is being determined in 1988. It will be determined by the success of our numerous efforts to rebuild our schools and revitalize New Jersey education.

Our responsibility reminds me

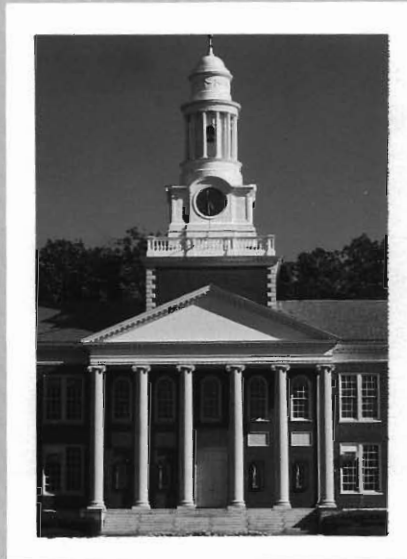
of a story I used to tell children when I taught school. It is the famous legend about a wise old man who could answer any riddle in life.

One day, a young boy decided to play a trick on the old man. He thought to himself, "I will capture a bird, hold it cupped in my hands, and ask whether it is dead or alive. If the old man says 'Dead,' I will let the bird fly away. If he says 'Alive,' I will crush it."

The boy went to the old man and asked, "Is the bird I have in my hands dead or alive?" The old man replied, "Lad, the answer is in your hands."

Well, the answer to our children's future is today in our hands. In 1988, let us adopt the ambitious reforms I have put before you, so that we may tell them, "Yes, the promise of America will be alive in the 21st century."





## HIGHER EDUCATION

**“F**or higher education in New Jersey the party is not over. Rather it seems to be just beginning.”

In what newspaper did those words appear? Not the *Star Ledger* or *The Record* or even *The New York Times*. The words appeared in the *Times of London*, which last October devoted an entire article to New Jersey higher education reforms.

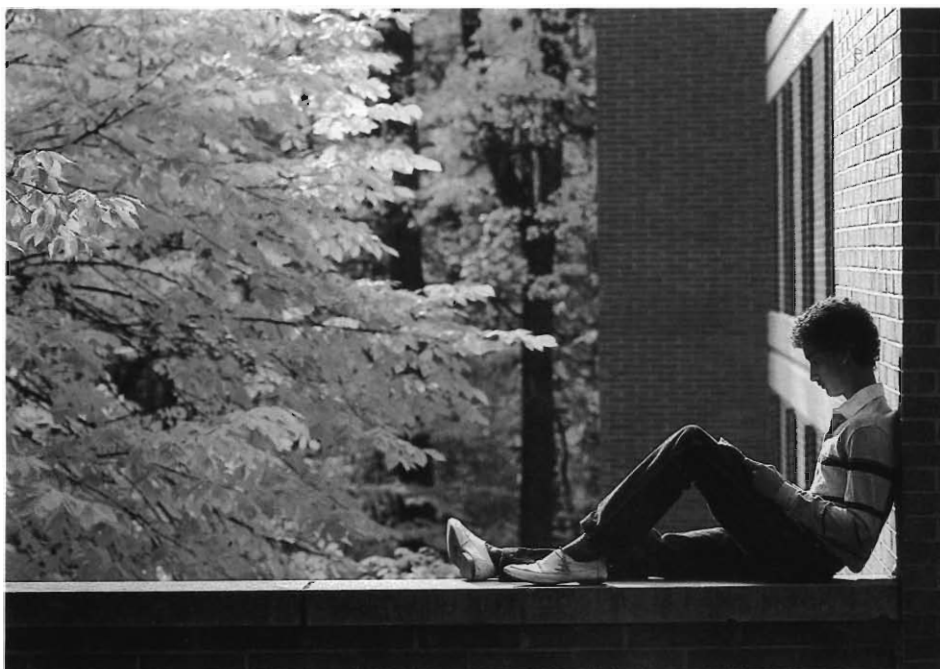
This kind of widespread praise could not have come at a better time. Never has the link between higher education and economic growth been more direct and important.

One hundred and twenty-five years ago the industrial revolution reshaped the world's economy. Hard working men and women flocked to industrial cities like Newark, Trenton and Jersey City because of the resources at hand, most important, roaring rivers to power their factories and to carry their goods to waiting consumers.

Today an information and high technology revolution is again restructuring the way we work and live. The most important resource is no longer rivers or even good roads, although they remain important. Today the preeminent resource is knowledge. To become the world's economic leader, we must not only restructure our elementary and secondary schools, as I just described; we must also develop a first-rate system of colleges and universities.

### CLIMBING THE LADDER

This is the challenge I have laid before the leaders of New Jersey's colleges and universities. I have challenged each sector—from Rutgers to our community colleges—to be the best at what they do.



At the heart of this challenge is what educators like to call "mission" and the French call "raison d'être," or reason for being.

Mission is what the preacher Samuel Danforth was talking about when he gathered the members of the Massachusetts Bay Company together in 1670 to explain why they had left behind their friends and family to embark on an "errand into the wilderness" in a strange and foreboding land.

Mission is what drives Mother Teresa to devote her life to caring for the sick, the poor and disenfranchised. Mission is what moves Bruce Springsteen to sing with such fury and Joe Morris to run with such grace and power.

Colleges and universities, like people, also have missions, only theirs are sometimes even more difficult to discern and follow. For example, we cannot have, nor would we want, 57 institutions hell-bent on becoming a world-class research university like Rutgers; or 57 institutions trying to be an Ivy League school like Princeton. Instead, we must encourage diversity and allow each institution to pick its unique path to distinction.

State government cannot mandate this. We have neither the talent nor the vision to tell our colleges and universities the direction they should take. What we can do, and have done, is to set the climate for our colleges to engage in intense self-scrutiny necessary to choose their appropriate "mission." Then we can cajole, prod and offer incentives for each college to follow its chosen path.

Start with the college autonomy legislation, sponsored by Senator Matty Feldman and Assemblyman John Rocco, which I signed into law two years ago.

College autonomy untied our state college leaders' hands. Now they can plan better, because the responsibility to hire and set starting salaries is on campus. They can save money by buying services and equipment directly from contrac-

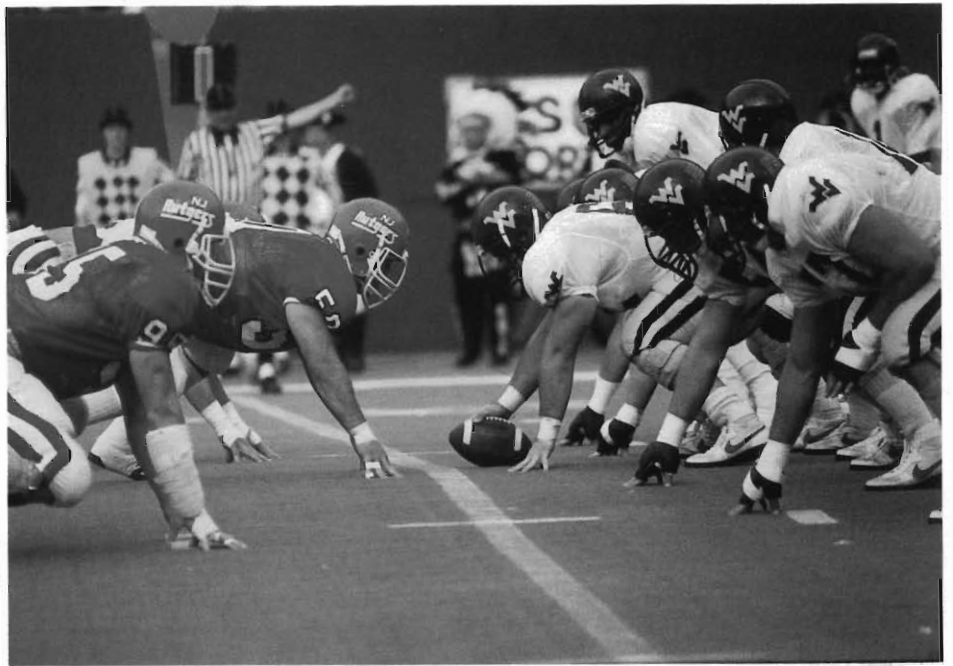
tors. And they can purchase equipment more quickly, thereby improving the quality of instruction.

Autonomy is an important step, but, to paraphrase what the poet Matthew Arnold once said about freedom, it is a good horse, but you must ride it somewhere. Our state colleges, as well as other sectors, need to ride their autonomy to excellence.

That is where the challenge grant programs come in. The idea is to set up a special pool of money, above the normal state operating subsidy, which institutions can use to improve. These grants are the academic equivalent of venture capital.

The challenge grant is not an entitlement. The colleges compete against a national standard to win the awards, with their proposals evaluated by outside academic leaders. The campuses must set goals and be held to those goals by people within and outside their institutions.

We are now spending \$44 million a year in challenge grants, and I believe it is one of the wisest investments we are making as a state. Because of the challenge grants, New Jersey now ranks



among the top states in increases in higher education spending. university, Rutgers. Three years ago I challenged Rutgers to become one of the leading research universities—to take its place with the Michigans and California-Berkeleys of the world.

Last year, Rutgers used part of its challenge grant to attract three professors of international renown. The Graduate School in New Brunswick recruited Dr. Robert Davis, one of the world's foremost lecturers in mathematics education and the founder of the Journal of Mathematical Behavior. Dr. Peter Day was the Director of the Plant Breeding Institute in Cambridge, England. Now he is Director of Rutgers' Center for Agricultural Molecular Biology. And Professor Bernard Greenhouse, the world-famous cellist of the Beaux Arts Trio, has joined the faculty of Rutgers' Mason Gross School of the Arts.

Faculty recruits like these are a major reason that Rutgers attracted 700 research awards last year, an increase of 16 percent from the previous year. This impressive talent helps explain why companies like AT&T, Warner-Lambert and Hoffman-Laroche have recently made major contributions to Rutgers' research facilities. These companies know that to compete

they need access to a first-rate research university.

The same kind of impressive growth is occurring at the New Jersey Institute of Technology (NJIT), which accepted our challenge to become a nationally recognized technological university.

Last year NJIT used our \$6 million challenge grant in part to recruit distinguished inventors like Dr. William Carr, one of the first scientists involved in microelectronics, the condensing of computer circuits into microchips. Dr. Walter Kosonocky also moved last year to NJIT. He is one of the world's experts in optoelectronics, the use of infrared light to run computers, a technology based on the same principle as the optical scanners you see in modern supermarkets. Between them, Dr. Carr and Dr. Kosonocky hold more than 50 patents. They have been joined by another renowned scientist, Dr. Sam Sofer, who is pioneering ways to use computers to control tiny bacteria that absorb toxic substances much the same way video "PACMEN" destroy their enemies.

Advanced technology alone is not enough to keep New Jersey competitive. We have to train workers to use new technologies to produce quality manufactured

*"For higher education in New Jersey the party is not over. Rather it seems to be just beginning."*

THE LONDON TIMES

among the top states in increases in higher education spending.

What matters is not the money, but what we are getting for it: talented faculty, huge increases in research and support from private industry and, most important, colleges and universities that are stepping forward to find their own identities and missions.

Consider the state's largest uni-



goods—from cars to soup to silicon chips—at affordable prices. The emphasis on managing new technologies is what separates NJIT from other technological universities, and it will serve New Jersey well.

I also challenged the University of Medicine and Dentistry of New Jersey (UMDNJ) to become one of the top 25 health science universities in the U.S. by the end of this century.

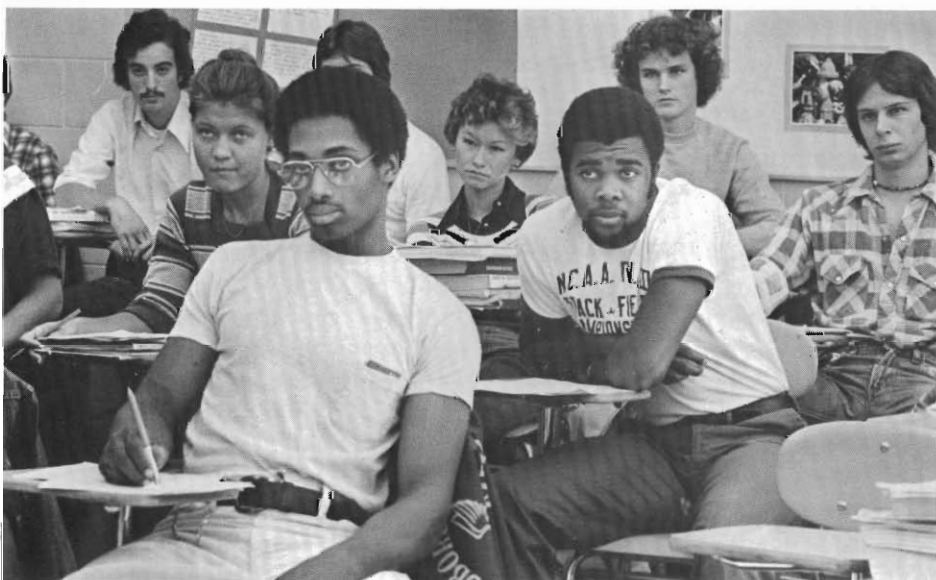
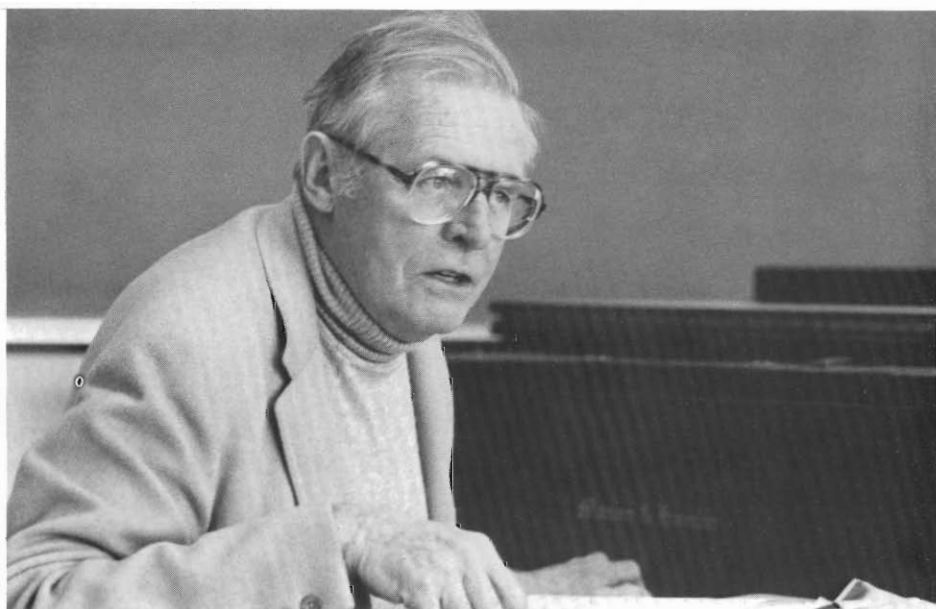
I want UMDNJ to meet three goals: attract able faculty, make its medical colleges the nation's finest and conduct important health research for the state and the nation.

Already, UMDNJ has made strides in every area. Research grants and contracts grew from \$21 million in 1982 to \$34 million in 1986, a year in which UMDNJ emerged as a national leader in the most pressing scientific research going—AIDS research. Last year alone, the National Institute of Health announced more than \$14 million in grants to UMDNJ for three AIDS studies.

Meanwhile, Robert Wood Johnson Medical School students have scored above the mean on the National Board of Medical Examiners' tests each of the past five years. Last year, UMDNJ launched the first liver transplant program in New Jersey. And UMDNJ is recruiting talented faculty like Dr. Sarah Hitchcock DeGregori, a molecular biologist whose latest studies are making important contributions to the study of neuro-muscular disorders.

Our economy will rely increasingly on high technology industries, medical services and research. We need prominent universities in each area if our economy is going to continue to create good jobs for New Jerseyans.

But we also need strong colleges to meet the diverse needs of undergraduates. Here, the challenge grant has spurred our nine state colleges to come up with missions that set them apart from their competitors in other states.



Trenton State College provides an excellent example. With challenge grant support, Trenton State decided to raise standards and compete with the William and Marys and Miami, Ohio, for the best high school graduates who want to learn on small, personal campuses. The new direction fit perfectly with the school's strengths.

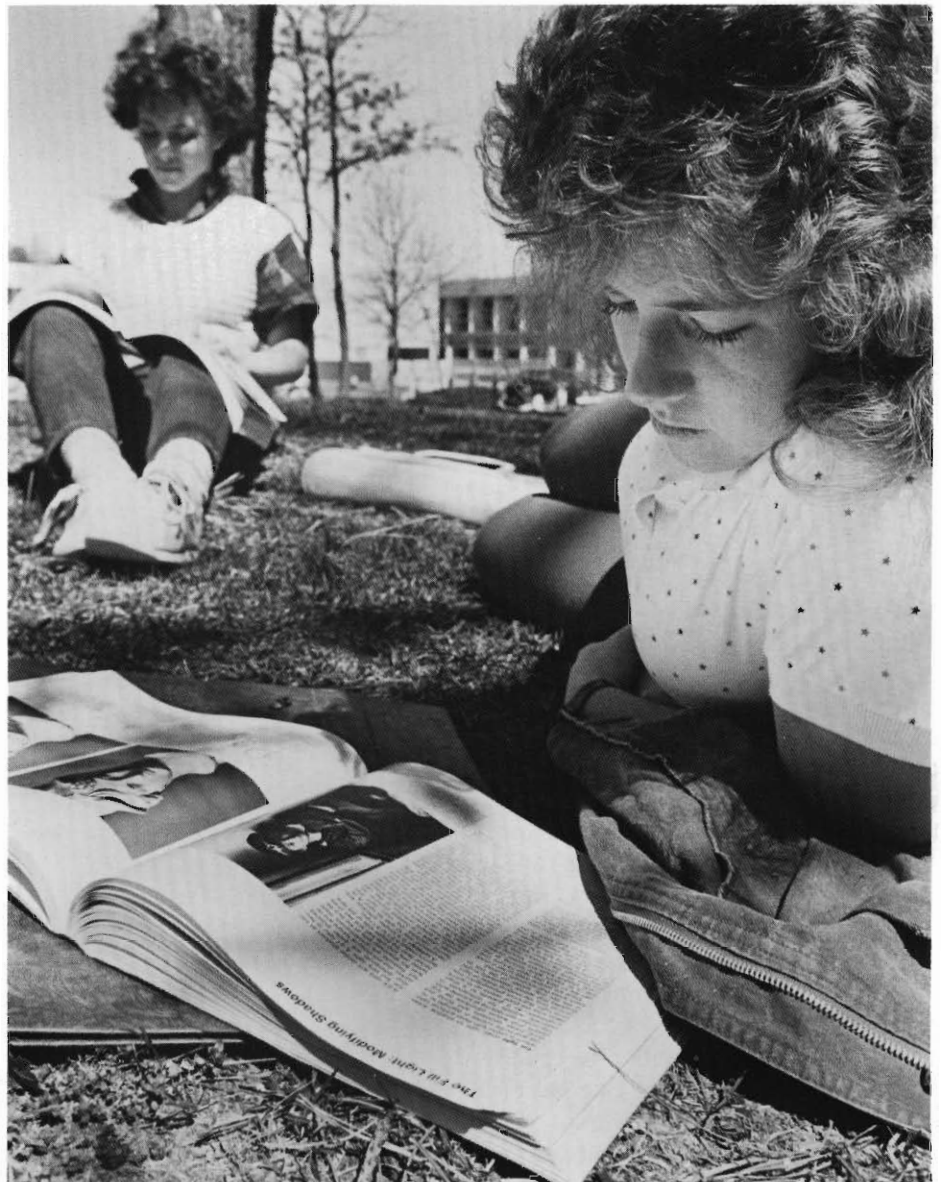
Last year Barron's *Profile of American Colleges* upgraded Trenton State to a "very competitive" ranking. *MONEY* magazine included the college in an article entitled "Ten Public Colleges with an Ivy Twist." And applications are coming in at a record rate.

Montclair State College chose a different path to excellence, deciding to develop one of the best centers for fine and performing arts in the country. Because of the challenge grant, art students at Montclair can now learn from Frank Corsaro, world-renowned opera director; Jerome Hines, the legendary bass of the Metropolitan Opera for the past 41 seasons; and Marilyn Horne, possibly the best mezzo soprano in the world.

From Ramapo College's new program to increase students' understanding of global issues, to Jersey City State's efforts to mix students' education with actual work experience, our nine state colleges are delivering on the promises they made.

Enrollment is up on most state college campuses this year, despite declining enrollments nationwide. Why? Quality is attractive to students. And college freshmen on state campuses this year scored higher on SAT's in most cases than their 1986 predecessors. The bottom line is clear: we are attracting more and better students to our state colleges.

I want to keep the momentum going. The budget I submit this month will include money to continue the challenge grants program for Rutgers, NJIT, UMDNJ and the state colleges.



## DOORS TO OPPORTUNITY

What do county colleges mean to New Jersey? Not long ago I saw the transcript of a county college student. She started with one typing course. A few semesters later she took English composition. In later years she came back to the county college to take courses in history and philosophy. Finally, 11 years after starting her first typing course, this student earned her Associate's degree.

Over the past twenty years, one million students like this woman have walked through the county colleges' doors of opportunity to more productive and fulfilling lives.

County colleges serve New Jerseyans well, but their job is not easy. Many of the students they serve are underprepared. The colleges must respond immediately to changes in the local job market. If an auto manufacturer moves into town, for example, it may turn to the county colleges first to train workers to run assembly line robots. Despite these pressures, county colleges must maintain high standards and strong curriculum.

Last year I offered a challenge to county colleges. I set aside a pool of money to encourage these colleges to come up with innovative programs to better serve their students.

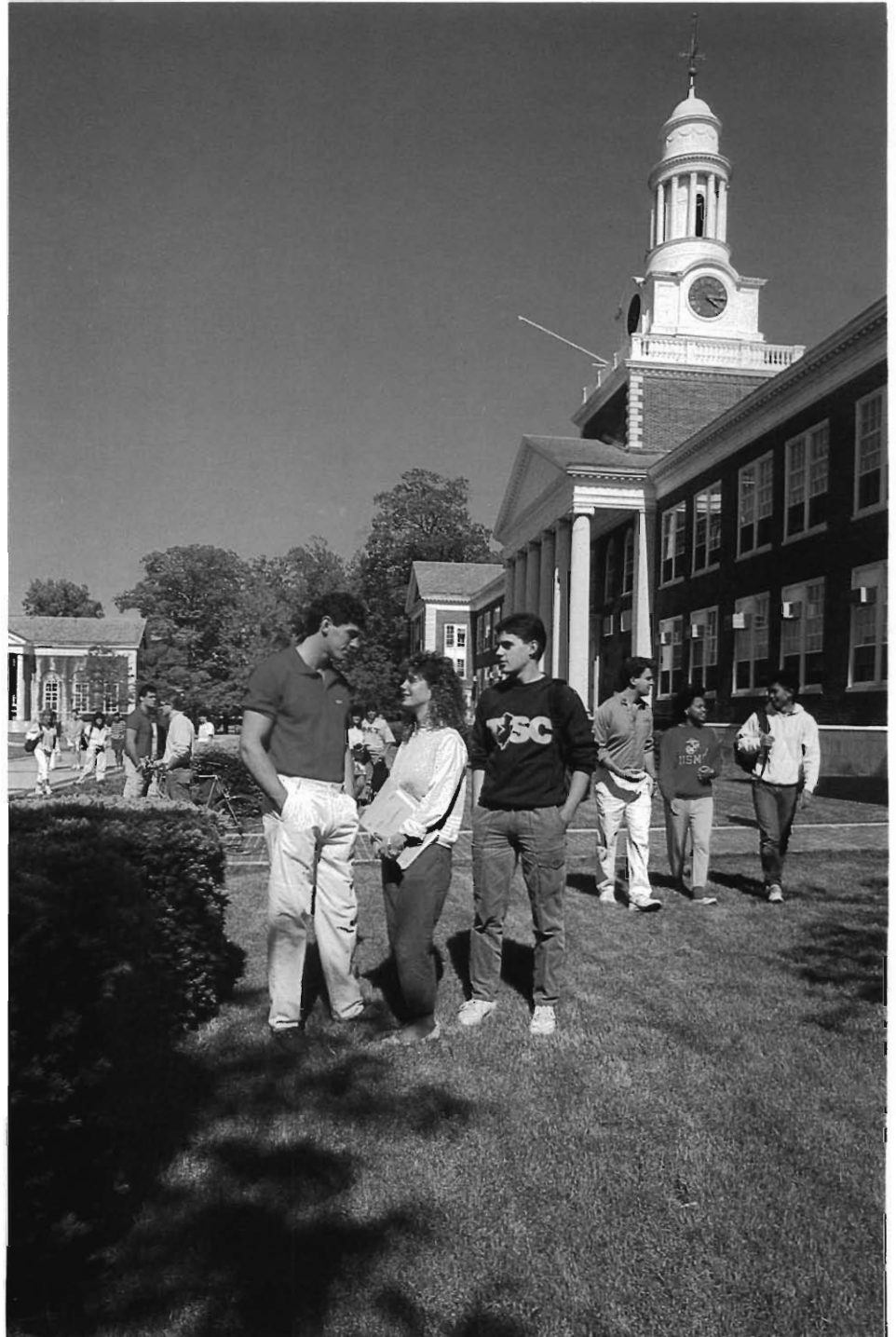
The response was promising. Middlesex County College, for example, earned a challenge grant to offer customized training to area employees and to help transfer technology from Rutgers and NJIT to local businesses. Another award went to Cumberland County College for a new program that, among other things, helps to retain students who are potential dropouts.

I take great interest in the county colleges' improvement. Two years ago I asked for the creation of a national panel to "recommend ways to improve the effectiveness" of county colleges. In December, 1986, I hosted a meeting of the presidents, trustees, faculty and freeholders to propose a new era of

partnership. Since the national report was released, I have urged Chancellor Hollander to work with each college on the specifics of how it will respond.

Together, the county college leaders are creating a major opportunity for their institutions as well as for the State of New Jersey. I sense a new potential among these colleges, as well as a determination to build on qualities

that were always there. I have before me a three part proposal from the Board of Higher Education. The proposal calls upon the state to put the funding of the county colleges on a more solid foundation, one that recognizes the statewide contribution the colleges make to our well being. It would require the State Board of Higher Education to strengthen the governance of the colleges. And it



would expect the county colleges to assume responsibility for concrete steps to strengthen their educational programs. This joint venture has real promise, but it will be costly. I am reviewing the opportunity, and especially the State's role, with great care. I urge you to do the same.

### INDEPENDENTS' DAY

One more sector deserves our attention. This year I would like to extend a new challenge to New Jersey's 16 independent colleges and universities.

These schools range from Ivy League Princeton, ranked by *U.S. News & World Report* last year as one of the country's "Big Four" universities, to tiny Westminster Choir College, one of the nation's premier music schools.

Together, these 16 schools educate one out of every four New Jersey students. Historically, they have been known for quality and have led the way in innovation. But like public institutions, independent colleges today face difficult challenges. Their most difficult challenge is to restrain tuition increases, so that their campuses do not become the exclusive enclaves of the very rich and the very poor, with no one in between.

New Jersey already provides more support for independents than every other state. The colleges are represented on the Board of Higher Education, they are eligible for competitive grants in broad areas like the humanities, and last year the state made available more than \$50 million to independents in direct aid and student assistance.

Two years ago, the leaders of this sector formed a national commission on the Future of Independent Higher Education, chaired by Ernest Boyer. College presidents and trustees have looked at their strengths and weaknesses in order to figure out how to better serve the next generation of American students.

The potential exists for real progress, and we should tap it. Therefore, the budget I submit to you next month will include a special, two-year challenge to our independent colleges.

I want the independent colleges to submit plans which meet three criteria. First, they must be consistent with the strengths of the campuses. Second, the private colleges must focus their ideas on problems that they share with public colleges. For example, I want to hear what ideas the independent colleges have to offer to make campus life more rewarding for minority students. Third, the plans must in some way improve the quality of undergraduate education.

The plans will be evaluated and recipients chosen by a panel of national experts.

I do not want large universities like Fairleigh Dickinson competing with smaller schools like St. Elizabeth or Bloomfield College. Therefore, the challenge grant will be divided in three pools. One part will be set aside for institutions with more than 1,500 students, the other for institutions with fewer than 1,500 students, with a third pool of money available for worthy proposals in either group.

I have watched the leaders of

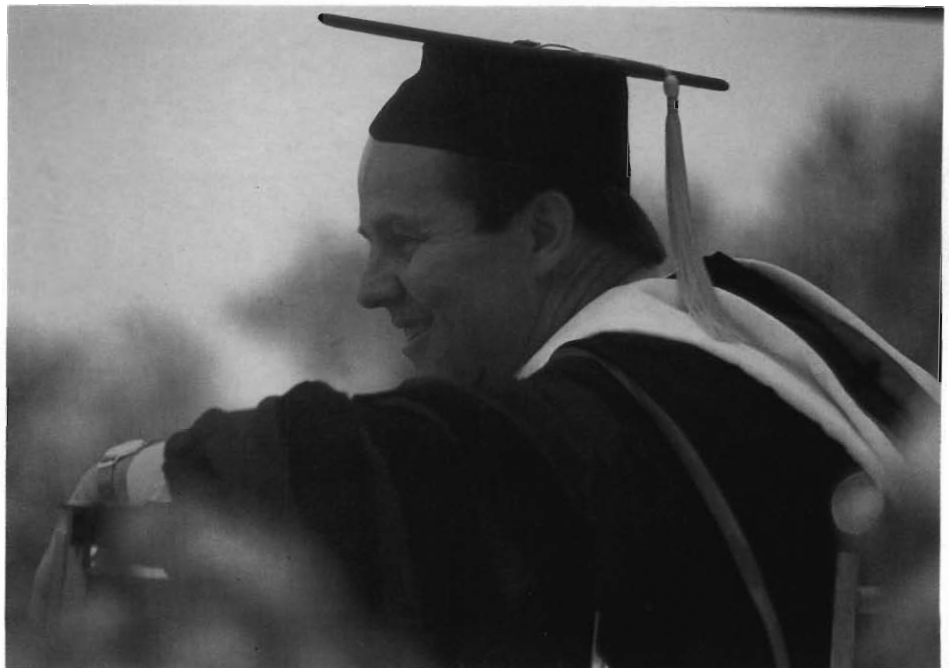
these campuses support the Governor's School program. I have seen them take the lead in responding to my humanities challenge. I look forward to the ideas this new challenge will promote and I am certain that the independents' innovations will apply across all sectors of New Jersey higher education.

The independent challenge concludes the cycle of challenges to every sector of higher education, which we started in 1985. Each challenge depended upon a signal of leadership from college leaders and an acceptance of responsibility for results. Each challenge was uniquely crafted to the needs of the sector as the leader defined them.

The evidence proves that the challenge grants are working. No wonder Ernest Boyer told the *Chronicle of Higher Education* that our challenge grants, "may become a model."

### "THE REST OF THE STORY"

While challenging each sector, and encouraging institutions to follow a unique mission, we have to recognize that certain challenges extend across every sector, from the smallest county college to the largest research university.



One of those challenges is finding some way to measure the impact of a college or university on the student and the surrounding world.

Radio personality Paul Harvey tells his listeners to tune in and hear the "rest of the story." He means he has insight into the underlying meaning of the headlines you read everyday.

A somewhat similar situation exists in higher education. Right now, colleges measure their progress primarily by looking at two criteria: "inputs," or things like the student/faculty ratio or the number of books in the library; or narrow measures of "output," such as graduating students' test scores on certain skills tests.

What is missing is what Paul

Harvey would call the "rest of the story;" real information about what a student actually learns in college; what, if anything, education contributes to a student's character; and, how precisely a college affects the town or city in which it is located.

This is the real "news" by which we should evaluate our colleges and universities, but, unfortunately, measuring it can be like nailing jello to a wall. As of yet, no one has come up with a way to do it. Now New Jersey is the first to try. In 1988, Chancellor of Higher Education Ted Hollander will begin what the Education Commission of the States has called the most ambitious "outcomes measurement program" in the country.

The College Outcomes Evaluation Program will try to find answers to specific questions such as how much intellectual progress students make during college, what leadership skills they acquire, what contribution the college makes to the state economy and what impact the college has on its home town.

This is not, excuse the pun, an academic exercise. Just as a baseball hitter batting .220 may change his stance to improve his average, a college whose students are not developing intellectually can change its curriculum or improve its faculty.

In addition, this information will help make our schools more accountable to the public. Last year, New Jersey taxpayers spent almost \$1 billion to support higher education. We deserve to know what exactly we are getting for that investment.

### HUMAN INTEREST

In the past five years, New Jersey and other states have invested heavily in science, technology and medicine—areas with high potential for direct economic benefits. The danger in this, of course, is that an equally important part of college and graduate education—the humanities—will be forgotten.



That would be unfortunate. The humanities can teach us lessons of overriding importance for our work and everyday lives. The story of Job in the Bible teaches us patience. Shakespeare's Othello teaches us about the corrosive effects of jealousy and Rosa Parks' refusal to go to the back of a Montgomery bus tells us something about the importance of taking a stand for principle.

Four years ago, I asked New Jerseyans to balance our increased investment in science and technology. Today I want to reaffirm and extend that commitment.

I thought then and I think now that we should invest in people, people who are gifted teachers and scholars. Just as we have supported creativity in biotechnology, hazardous waste research and computer technology, so must we also encourage professors who are

doing the best work in literature, American history, biography and dozens of other fields.

Many of these people work in New Jersey colleges and universities. They may not realize even

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now how vital their work is to the quality of life in this state. I hope they read these words as a personal challenge. Let them come forward with their best proposals to im-

prove teaching and other creative work in the humanities. A distinguished panel of scholars in the humanities will judge the proposals and advise us on the awards.

Let the state that gave this country John Witherspoon, Walt Whitman and William Carlos Williams, to name a few, lead the way in promoting the study of the humanities today.

#### **THE CECIL BROADNAX CHALLENGE**

Colleges and universities face another challenge—the Cecil Broadnax Challenge.

Cecil Broadnax is a senior scientist at Johnson and Johnson. In fact, the absorbable hemostat he invented helps surgeons save lives almost everyday. Cecil credits his success to one thing: a New Jersey education.



Cecil is black. He knows the difference good education made in his life and in the lives of other minorities. So he spends his free time visiting inner-city high schools, encouraging young minority students to follow his lead and go to college.

Cecil's is a message that desperately needs to be heard, both for the well-being of our growing population of minority students and for the future economic strength of our state.

As I said earlier, labor shortages are already a reality in certain parts of New Jersey. Businesses are starting to have to look outside the state for skilled labor. The only way we can fill this gap and keep businesses from leaving New Jersey is to provide education and training to the large bulge of young minority children who, by the turn of the century, will make up one out of every three students in our public high schools.

Tragically, the 1980's have been a time of retreat, not advancement, in providing higher education for minorities. For most of the 1980's our education system has been, as the Carnegie Forum put it, a leaky pipe, dripping talent at every joint. Fewer minority students graduated from high school, fewer entered college, fewer finished college and went on to a professional degree.

Just recently, New Jersey has slowed this trend. Enrollment of both black and Hispanic first-time full-time freshmen, for example, was up slightly between 1985 and 1986. While I am happy we have stopped the plunge, I realize we still have a long way to go.

The problem is multifaceted: we do not just need to recruit more minority students for college, we need to do a much better job of keeping them in school and educating them once they arrive on campus.

Last year, at the higher education department's urging, the state's 31 public colleges and universities submitted plans to increase minority enrollment and im-

prove retention of minority students. The department also began a new program to give more than 1,300 disadvantaged urban youths a chance to study on college campuses across the state, take field trips and sharpen the skills they will need to be accepted and succeed at our colleges.

One of the reasons many black and Hispanic students feel uncomfortable on campuses is the lack of adequate role models. The percentage of minorities on university and college faculties remains abysmally low. To help recruit more minority faculty members, two years ago we began the Minority Academic Center Program (MAC).

*Let the state that gave this country John Witherspoon, Walt Whitman and William Carlos Williams, to name a few, lead the way in promoting the study of the humanities today.*

Under MAC, minority students receive stipends, grants and interest free loans to help pay for their doctoral education. Last year, MAC supported 20 graduate students, including Linda Nelson, a black woman from Sicklerville, who is about to obtain her doctorate in anthropology at Rutgers. The fact that Linda, soon to be Dr. Nelson, could get her Ph.D., will help motivate other students like her to do the same.

In the budget next month, I will ask for an expansion of the MAC program to encourage our colleges and universities to hire more MAC program participants. And I will recommend expansion of the pre-college academic program for minority students and an increase in the funding for the competitive

grants we provide to colleges to come up with creative ways to retain minority students.

## THE OPEN DOOR

Talk to Mrs. Anna Harvey about life and you can't help but get the impression that she loves America. Anna is black, and grew up in North Carolina, one of twelve children. Her family didn't have a lot of money and at times it was tough to put food on the table.

Life is a little easier for Anna's two sons, Bruce and Tyrone. Both young men have a bright future. Tyrone went to Trenton State College and is now a Trenton teacher. Bruce goes to Trenton State and wants to be a lawyer. Both Bruce and Tyrone earned their bright futures through a college education. Ask Anna Harvey about her children's success and she says, "With the opportunity that kids have today, there is no way they have to be poor."

In the abstract, Anna is talking about opportunity, the ideal on which this country is based. But in concrete terms, Anna Harvey is talking about financial assistance. Financial aid allowed Bruce and Tyrone to go to college. Financial aid gives millions of other New Jersey families the hope for a better life for their children.

Last year, the Department of Higher Education provided \$49 million in grants to financially needy students under the Tuition Aid Grant program (TAG). Forty-one thousand students received full-tuition awards.

The Education Opportunity Fund (EOF), which I sponsored as a legislator, also provides help for economically disadvantaged students like Bruce and Tyrone. Last year 12,000 students received help under the program.

In addition to TAG and EOF, the State provided nearly \$6 million for more than 9,000 special grants and scholarships to high-achieving students, veterans and graduate students. Nearly one-third of this

amount was Garden State Distinguished Scholarships, given every year to 1,000 of the top high school students who choose to attend college in New Jersey.

New Jersey continues to provide one of the most comprehensive financial aid packages in the country. The budget I put before you next month will recommend substantial increases in these successful programs. No New Jerseyan should ever be turned away from the campus gate—the doorway to opportunity—because they cannot pay the bills.

### BRICKS AND MORTAR

New Jersey has broken from the pack in higher education in the 1980's. We have invested in faculty, and attracted some of the brightest minds to New Jersey. We have invested in science and technology and earned the nickname, "The Invention State." We have tried hard to improve undergraduate education, and now students are flocking to our colleges and universities. Schools in other states copy our reforms.

We have much to be proud of. But there is one area in which New Jersey has not made the needed investment. Our inaction could undermine all our other gains. I am talking about investments in our academic buildings—the classrooms, laboratories and libraries that make up the backbone of any campus.

Two years ago, a national association gathered data on the gross square footage of buildings on various campuses compared to the number of students enrolled in the schools. New Jersey did not fare well by any standard. Our average, 135 gross square feet per student, was 155 gross square feet below the national average. We ranked far behind neighboring New York and Pennsylvania.

The shortage of building space extends across all sectors. Rutgers, for example, has only one-third the average building space per student

as the University of Michigan. UMDNJ lags far behind institutions like Louisiana State University Medical Center, Texas Tech University Health Science Center and the University of Mississippi Medical Center. And our county colleges together fall almost 50 gross square feet short of the national average for these colleges.

The last time we made a substantial investment in campus buildings was 1971. "Bonanza" was still on television, no one had ever heard of a VCR and we had 200,000 students on our college and university campuses. Today, Dan Blocker is dead, the VCR is as ubiquitous as the dishwasher, and

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we are now serving 300,000 students in those same buildings.

Facilities built for the 1960's and 1970's are just not good enough for the 1990's. At Jersey City State, for example, classes are held in an old elementary school building. The entire structure needs to be gutted and rebuilt. And we need other buildings that would not have even made it to the drawing board in the early 1970's. For example, UMDNJ desperately needs to build a research tower to house scientists who are working in scientific fields that barely existed 17 years ago.

I have talked to faculty and college leaders across this country. Many are impressed by what we are doing in higher education. But I have come away from my conversa-

tions convinced that we will fall short of our goals if we do not pay some attention to our physical infrastructure.

We cannot continue to attract great faculty unless they have adequate facilities in which to teach and conduct research. Students consider the physical plant when deciding where to go to school or college. And private industry is more likely to invest in schools with first-rate laboratories, libraries and science centers.

To give you an example, it is foolish to make the investment to attract renowned faculty like Dr. Robert Davis at Rutgers or Jerome Hines at Montclair State, if they are going to be forced to teach in second-rate facilities. To do so is like buying a Renoir and leaving it in a room with a leaky roof. The shoddy environment will eventually destroy the masterpiece and hamper the great professor.

The \$350 million Jobs, Education and Competitiveness Bond Act of 1988 will allow us to close the "infrastructure gap" that threatens to undermine our other advances. It will let us build new libraries, laboratories and science centers on campuses up and down the state.

The bond act will give us the physical capacity to house the research and ideas we need to lead the world economy in the next century. Two hundred and eighty-five million dollars of the bond act will go to build new buildings on campuses in every sector.

This investment will range from a \$9 million improvement for the Rutgers library to building a new, \$6 million arts and environmental science center at Stockton State College. The money will go for everything from a \$10 million research tower at UMDNJ, to a \$9 million center for Communications, Arts and Technology at Ramapo.

State government is not the only one making the investment. For every dollar of state funds contributed, Rutgers, UMDNJ, NJIT and the state colleges and com-

munity colleges will be expected to match fifty cents from either tuition, fees, fundraising, revenue bonds or, in the case of county colleges, county appropriations. With independent colleges, every dollar in state funding must be matched by a dollar in private funds.

By leveraging money this way, we expect to raise a total of \$415 million to invest in the physical infrastructure of our campuses. Even an investment of this size will not make us the nation's leader, but it will allow us to make up valuable ground on our competitors.

Of course, it does not make sense to invest in new buildings if our existing ones are in dire need of repair. Therefore, I ask you to provide state backing for \$30 million in new revenue bonds to be issued by the Education Facilities Authority. The \$30 million will be combined with \$15 million from our senior public institutions to create a \$45 million pool, on top of annual capital funding, from which colleges and universities can draw to make building repairs.

The capital pool will work like

the Environmental Trust Fund. As the bonds are repaid, new money would be made available for further improvements.

This is not a small investment, and the taxpayers of this state should not take it lightly. Therefore, I call on the presidents and trustees of our colleges and universities to help me make the case to the voters that this investment is absolutely essential to our economic future.

I believe New Jersey has begun to climb to the pinnacle of higher education. Now it is up to campus leaders themselves to convince the taxpayers, as well as their own students, trustees and alumni, that a state making progress in everything from teaching to research deserves campuses with first-class buildings.

Our challenge reminds me of the words of a great New Jersey educator. In 1910, Woodrow Wilson, then president of Princeton, was drafted as the nominee for governor of New Jersey. In his acceptance speech he issued his call for action:

"Someday when we are dead, men will come and point at the distant upland with a great shout of joy and triumph and thank God that there were men who undertook to lead in the struggle. What difference does it make if we ourselves do not reach the uplands? We have given our lives to the enterprise. The world is much happier and humankind better because we have lived."

Thousands who care about New Jersey higher education have undertaken to lead a struggle to make our colleges and universities among the best in the world. As the *Times of London* acknowledges, we have made considerable progress.

Now we must take the next step by investing in our physical needs. We should do so knowing that the end result of our enterprise will be to allow the next generation of New Jerseyans to reap the fruits of the booming economy that we now enjoy.





## ENVIRONMENT

**A**ugust 14 was not a very good day. As I looked around, I saw the beach littered with pill bottles, half-incinerated beer cans, ice pop containers, laundry tags and other trash. A 40-mile slick of 200 to 300 tons of floating garbage, timbers and hospital waste had come to rest on the Jersey Shore.

I was so angry that I offered a \$5,000 reward for information leading us to the dumpers. Eventually, we came to believe the waste had come from New York, and went after the city in court. But as I stood there, I knew that this slick, which forced us to close some of our beaches, confirmed our resolve that we must take bold, new steps to protect our besieged ocean.

Our waters—our streams, rivers, and most of all our ocean—are imperilled from pollution as obvious as floating garbage, and as subtle as crankcase oil washing off a city street.

We face a threat that is easy to grasp, difficult to solve, and profound in its impact. Our waters have been ravaged by decades of ignorant men and short-sighted decisions. For too long our rivers have been used as open sewer systems and our ocean as a giant catch basin for the debris of the 20th century. Brown tides wash ashore, dead dolphins float in with the neap tide, and a 20-square-mile patch of “dead” sea ripples 12 miles off our coast. In a reverse of the old doggerel, what God proposes, man disposes.

### **THE TORCH HAS BEEN PASSED**

We stand poised as the first generation of New Jerseyans ready to reverse decades of neglect and abuse. We are ready to restore the ocean, and breathe new life into the Hudson, Raritan, Passaic,



and Hackensack rivers. We are prepared to protect the pristine waters of the Maurice River and Cohansey Aquifer. Back in 1953, Edwin Way Teale wrote, "the long fight to save wild beauty represents democracy at its best. It requires citizens to practice the hardest of virtues—self-restraint." New Jersey is ready to practice that self-restraint.

Last November, I stood before a clutch of microphones in Trenton to proclaim our intention to save the most feral of our natural beauties, the ocean. And I repeated my call for the New Jersey Coastal Commission. The Atlantic kisses New Jersey sands for 127 miles on our coast, blessing us with lovely beaches and the chance to support a \$12 billion tourism industry. But as the headlines of beach closings last summer proved, our effort has not come a moment too soon. Our constituents are angry, they demand action. As one Monmouth County man put it, "It was an ungodly, unholy mess. I don't blame

anybody who didn't want to jump in the ocean."

My plan proposes action by the federal, state and local governments. I have proposed a five-year, \$200 million plan that requires everyone who serves the public—mayors and councilmen, state legislators and DEP officials, congressmen, senators and the President to band together. Our goal is nothing less than saving the ocean. New Jersey should lead the way.

We *must* work together because pollution refuses to respect either geographical boundaries or the political theories of federalism. My plan anticipates each level of government taking care of the things it does best. While Washington and Trenton must act to prevent garbage from floating on to the beach at Asbury Park or Belmar, the towns themselves must do a better job of cleaning up any litter on the beach.

In fact, a lot of this litter comes from the beachgoers themselves. A study completed in Los Angeles

County two years ago found that the people who used the beach left 75 tons of trash each week. Add the stuff that washes ashore and we have a very real problem.

Our towns are already removing 7,500 tons of litter each year. I am doing two things. The Department of Environmental Protection (DEP) has already begun a public relations campaign—"The New Jersey Shore—Keep it Perfect" campaign—to encourage the visitors who use the beach to pick up after themselves. And when I go before the Legislature next month, I will ask for additional money to pay for better, faster and expanded beach cleaning by our 40 shore municipalities. Some \$2 million will be spent to give the beach crews the sophisticated machinery they need to scrub the beaches clean and an additional \$2 million will be spent to help shore municipalities keep litter and other "gutter garbage" from washing through storm systems and out into the ocean.

The last expenditure suggests

one of the most important steps the state can take. When people began talking about pollution two decades ago, few realized that the storm and combined sewers would emerge as major culprits. But the innocuous black grates at street corners mask one of the primary sources of coastal pollution. Eighty percent of last summer's beach closings were caused by storm-water discharges after a heavy rain.

Storm sewers pose problems for two reasons. In older North Jersey towns with storm and sanitary sewers combined into a single pipe, intense rain causes the sewage system to overflow before it reaches the treatment plants. Untreated diluted sewage flows directly into our rivers and tributaries.

This does not happen once or twice a year. Unfortunately, we estimate that an average of 113 million gallons of this fouled rainwater flows into the Hudson, Raritan, Passaic and Hackensack rivers. By comparison, 185 million gallons a day enters the Hudson from New

York City. I am committed to controlling this pollution, and am willing to provide \$75 million in state money over five years, to be matched by \$25 million in local money.

The other half of the equation that must be solved is our storm-water problem. The New Jersey coast has more than 200 of these pipes, which carry a host of "people-generated" pollutants that wash off our streets after a rain-storm. This noxious brew consists of plastics, car and truck oil, dog excrement, cigarette butts and anything else we sweep or throw at curbside.

I propose to make important changes. In some towns, we are not even sure where the storm sewers are, so we will give coastal towns and counties \$60 million in grants to first map every stormwater system along the coast and then repair the broken systems and disconnect the sewage lines that are illegally hooked up to storm sewers.

We must do two other things.

Right now, DEP inspects our sewage treatment plants twice a month. I want tighter controls, so I am increasing DEP's inspection budget by a half million dollars to make sure the department has enough inspectors to check every coastal plant every week. The sooner we find a malfunction, the sooner we can fix it.

In Monmouth County, our sewage plants present a unique problem. Sewage plants are intended to treat the raw sewage and then dispose of the remainder far offshore, so Mother Nature's swirling currents can pull the sewage safely out to sea. But in Monmouth, four pipes that funnel treated sewage are too short. They do not reach the best currents. The situation is a lot like a small boy trying to jump up to reach a cookie jar on a shelf. He just cannot make it.

If the boy is smart, he extends his reach by climbing on a chair. We want to extend our reach, lengthening these pipes until they stretch to safe, deep, waters. I will ask you to





provide \$30 million for this project.

Our efforts have already received a boost from a decision we wisely made in 1985. The first loans from the Wastewater Treatment Trust Fund were made last year and \$250 million is being spent, in conjunction with federal construction grants, on the largest treatment plant construction program in the history of DEP. In all, \$400 million in construction was funded last year, meaning that new or improved plants will soon kick in to

provide cleaner water heading to the ocean.

Finally, the State must make sure that we rid the sludge we produce of as many toxic chemicals as possible. Right now, the sludge contains dangerous compounds like cyanide and metals like lead that come from battery makers, electroplaters and other heavy industry. We are going to require these manufacturers to do a better job of reducing the amount of toxics their waste contains.

This will reduce the chemical levels in the sludge, but what we really want is to eliminate sludge dumping altogether. Unfortunately, ending sludge dumping is not something New Jersey can do by itself. We need federal action.

We have already persuaded the federal government to end sludge dumping at the 12-mile limit. As of last month, sludge barges had to tow their loads 106 miles offshore before dumping their loads. But this is only a half-measure. I want Congress to end all dumping of sewage sludge in the ocean by 1991. No one but New York and New Jersey still dumps sludge in the ocean. The time has come for Congress to act.

Time and time again, Congress has protested that it, too, wants to end sludge dumping. But the navigation channel to the 106-mile site is marked with good intentions. Congress continues to strew loopholes throughout the law that are large enough for even a bad pilot to navigate his sludge-laden barge through. This time Congress has to say, "No more."

Not only must Congress eliminate sludge dumping, but it must move the site where we dispose of the sand, clay and dirt we dredge from our harbors. Each year seven million cubic yards of sand, silt and mud are scraped off the harbor floors around New Jersey and dumped at the mud dump six miles east of Sea Bright. The Navy's decision to dredge at Stapleton, Staten Island, and the Earle Naval base, and the Port Authority's decision to widen and deepen Newark Bay and the Kill Van Kull will produce an extra 45 million cubic yards.

These dredge spoils, frequently laden with organic pollutants such as PCBs and heavy metals, are collecting so rapidly at the Mud Dump that they will soon pose a threat to navigation and health. Congress told the EPA a year ago that it had three years to find another site 20 miles offshore. EPA has not even begun to study the problem. EPA



must move as quickly as possible on this vital issue.

Most people do not realize what happens offshore, over the horizon. Plying the seas are barges heading for the sludge site and the mud dump, and occasionally to burn timber. This incineration at sea occurs only because there is no alternative, but some people want to burn timber commercially on a permanent basis 20 miles off Point Pleasant. The EPA is considering allowing this to happen. It should not. We have already seen charred logs fouling our sands from specially permitted burns at sea, and it was not a pretty sight. Were this to become permanent, boats from up and down the East Coast would set sail for Point Pleasant, endangering our beaches and bathers.

After last summer's slick, our investigators had to pick through the garbage to discover its source. The sleuthing depended on reading grimy pill bottles and balloons. In fact, had it not been for a string of red and pink balloons with "Holland Avenue Block Party" written on them, our investigators would have had a much more difficult time tracing the garbage back to New York.

It need not be that way. If we had a national manifest system in place to track standard hospital waste, fingering the culprit would be much easier. Senator Bill Bradley has already suggested such a manifest system. I urge the rest of our delegation to follow his lead.

As the events of the summer suggest, the law does not always keep up with the times. We must move rapidly when the need for new statutes arise, and vigorously enforce the laws already on the books.

Just last month, a federal judge approved an agreement between us and New York to stop New York garbage from washing away from the Fresh Kills landfill in Staten Island and washing up in Woodbridge. Under the settlement, New York must pay Woodbridge \$1 million for past pollution and continue to pay to clean up the



shoreline.

And this year, New York must install booms and cranes at Fresh Kills and the Southwest Brooklyn Marine Transfer Stations on Gravesend Bay to prevent garbage from falling in the water, use skimmers to pick up the garbage that does fall in and insure that the sites are run in the best possible manner. Most important, an independent monitor, environmental groups and New Jersey officials all

may inspect the stations to make sure New York is following the agreement.

Faced with the prospect of \$85,000 in daily fines and the lawsuit we were ready to bring, New York chose to obey the law. We will be alert to make sure New York lives up to its word. Without this agreement, joined by the Interstate Sanitation Commission, the New Jersey Save Our Shores and the Staten Island Group Against Gar-



bage, we anticipated years of protracted litigation. By expanding the agreement to cover not only Fresh Kills but all eight marine transfer stations in New York City, we took a major step to lessen the New York garbage on our beaches next summer.

We are also monitoring the seepage of toxic leachate from the Fresh Kills landfill on Staten Island into the Arthur Kill and the stability of what will be the biggest and highest landfill in the world. The Attorney General has pledged imminent legal action to forestall the collapse of this mountain of garbage.

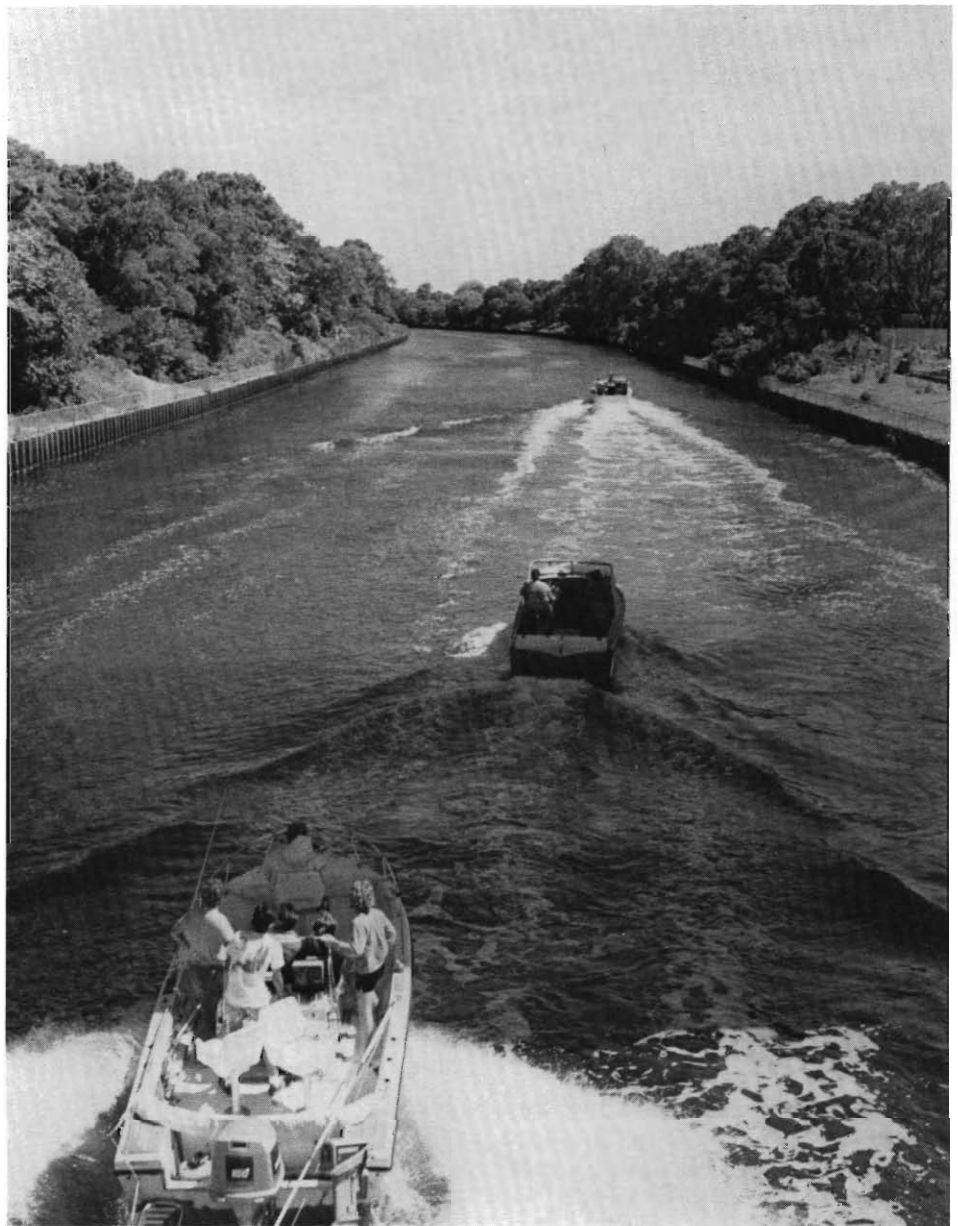
### **PENNYWISE, POUND FOOLISH**

My plan commits \$200 million over five years to rescue our ocean and our shore. It is a sound investment. But it would be Sysiphean of us if we were to spend this vast outlay of money without taking the final step we must to protect our investment.

Last year I told you that we needed a comprehensive plan to manage our shore protection efforts. I told you we needed the New Jersey Coastal Commission to manage shore protection, land use and anti-pollution efforts for the 126 towns that stretch from the Bayshore to the Delaware Bay.

I told you the Coastal Commission would protect and preserve our shore's environment and ensure the economic viability of our coast; that it would be an advocate for the shore communities and an office that would understand the unique problems our coastal towns face; that it would raise money for badly needed shore projects like the construction of sewage treatment plants. The Coastal Commission would give us the power to engineer regional solutions to problems that do not recognize municipal boundaries and cut red tape by consolidating government in one place.

My position has not changed. The New Jersey Coastal Commis-



sion is one of my top three priorities this year.

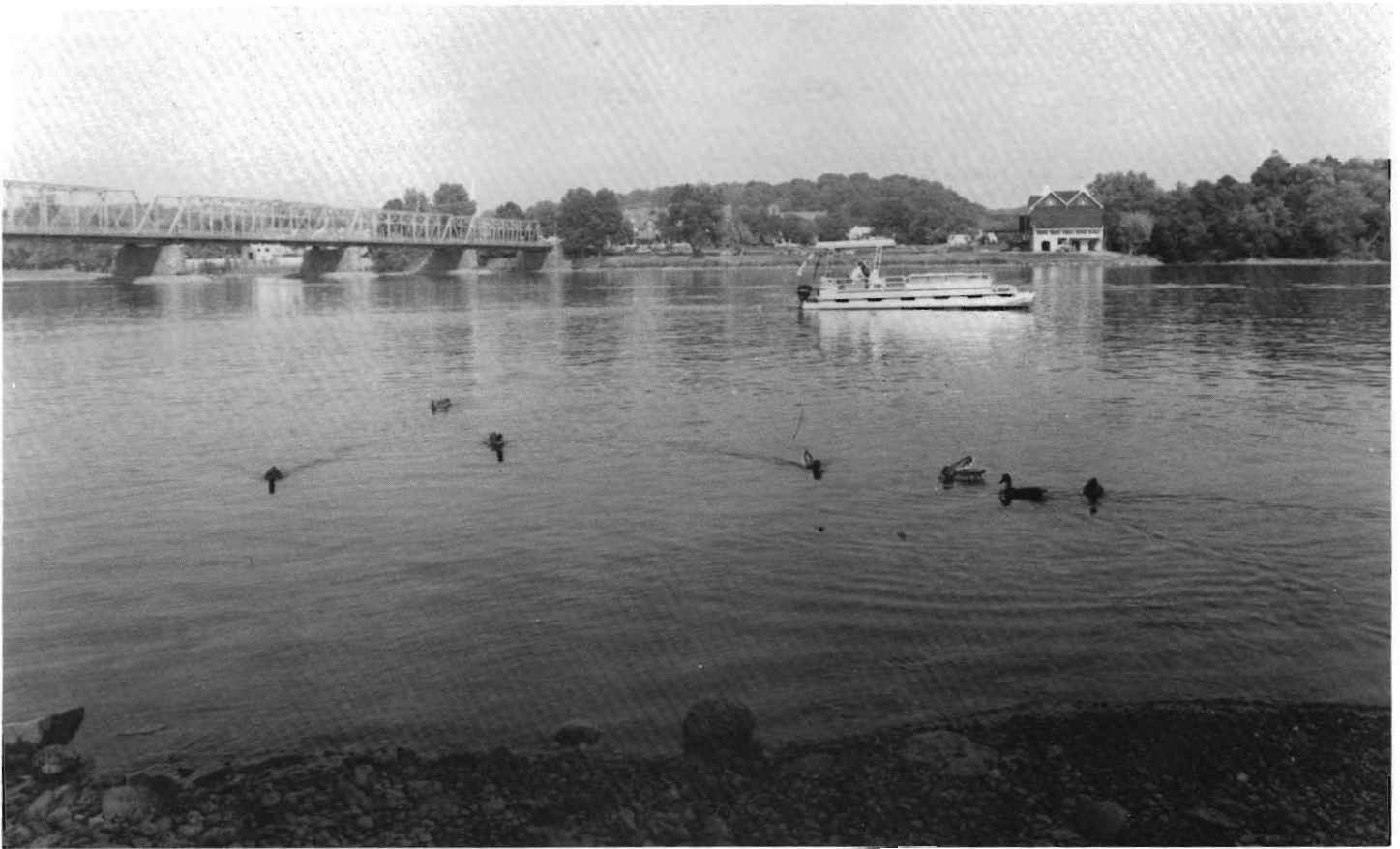
The Commission enjoys substantial local support. As Long Beach Mayor Jim Mancini put it, "It's long overdue. It's something we really need because we've been bogged down." The idea has been endorsed by the two biggest papers serving the northern and southern parts of our state, the *Star Ledger* and the *Philadelphia Inquirer*. It is an idea whose time has come.

Assemblyman Doc Villane and Senator Frank Pallone have introduced legislation to create the Coastal Commission. I urge you to act on this important legislation this year.

Failing to pass this legislation at a time we are investing such huge amounts of money to rejuvenate our ocean would be akin to buying

*The New Jersey Coastal Commission is one of my top three priorities this year.*

a convertible and then leaving the top down when it rained. It would be foolish, pure and simple. But it would be equally foolish to leave the



shore without the protection of stable funding.

The Shore deserves stable funding. But is not the only deserving environmental problem. The flood prone areas of our state like the Passaic River Basin deserve help—and must be funded. Our drive to preserve our dwindling open spaces deserves help—and must be funded. How then do we accommodate these three equally important demands with a finite amount of money available?

Fortunately, Senator Bill Gormley and Assemblyman Anthony Villane have developed the answer—the Natural Resources Protection and Restoration Act.

The genius of this bill is that it will not only provide the money we need to protect the shore, but it will allow us to preserve the open spaces that are disappearing faster than you can say “townhouse” or “condominium.” And it would allow us to use sorely needed money to protect our inland towns that face chronic flooding. This is not a shore bill; this is not a flood bill;

this is not a park bill. It is a New Jersey bill that needs to be passed.

Other proposals have been made, but I do not believe they are as fair. There is a connection between the value of homes in New Jersey and our beaches and open space. An increase in the realty transfer tax is a fair way to raise money to protect natural resources up and down the state. Everyone will benefit. Everyone should share the cost.

This legislation is the key to preserving the legacy generations of New Jerseyans have bequeathed to us. It takes a second to cut a tree, but it takes a lifetime to grow a forest. You can build a subdivision in a year, but the meadows and swamps and streams we see are the result of thousands of years work. We must be careful stewards of this bounty so we may pass it on to our children.

All of this costs money. A fellow with a cold once complained to me about his trouble breathing. “But when you consider the alternative,” he said, “it isn’t too bad.”

I am proud to say that New Jer-

seyans realize we must protect these resources. Last November they voted overwhelmingly to approve the \$100 million *Green Acres, Cultural Centers and Historic Preservation Bond Act*. This money will allow us to invest in preserving historic sites like Walt Whitman’s house in Camden, build and repair cultural centers like the Count Basie Center in Red Bank and acquire more parks.

The Green Trust, intended to provide money for parks, has run dry and the \$35 million this bond act provides will enable us to keep park acquisitions going for just one more year. The Green Trust has already improved the quality of life throughout our state. Countless towns and counties have enjoyed the parks this money has paid for, parks like Mercer County’s Central Park, Newark’s Branch Brook Park or Lake Lenape in Mays Landing.

Parks are not luxuries, but necessities. When you see the seawall rebuilt at Liberty State Park—the most used urban park in the

nation—or the purchase of Long Pond Ironworks State Park in West Milford—the first new state park in 15 years, you immediately see how these parks improve the quality of life for every New Jerseyan. That is why we are adding more than \$2 million to our budget to improve maintenance of existing state parks. And that is why we have shaped strategies to create new green and open spaces like the Delaware and Raritan Canal and Hudson River Walkway.

It was this concern for our natural heritage and posterity that compelled Assemblywoman Maureen Ogden and Senator John Lynch to wage what was at times a lonely fight to preserve the thousands of acres of freshwater wetlands that purify our water and provide a home for hundreds of species of animals to spawn. I want to thank those of you, like Senator Dan Dalton, who supported this legislation and gave me a bill I could sign to protect this resource.

The wetlands are one of the best weapons we have to protect the purity of our water. We did not have to pay for them, and their creator seems to have had a special knack for doing things right. But man can make his contribution, and I am proud to say that New Jersey made important strides last year to guarantee the quality and the quantity of our water supplies.

#### **WATER, WATER, EVERYWHERE . . .**

New York's distinguished Senator Daniel Patrick Moynihan once said, "You can live without love, but you can't live without water." During the Eighties, we have seen two major droughts, discovered new water pollution and the increasing intrusion of salt in our natural underground reservoirs, our aquifers. We understand very well the senator's wisdom.

Last year, for example, the DEP proposed new standards for the water that public and private companies deliver to your taps. These standards, based on recommen-



dations from the Drinking Water Quality Institute, are tougher than the federal standards, and give us the most advanced and stringent standards in the country.

Now I want to begin another chapter in our effort to guarantee potable water. As we examine all of our drinking water, we are finding that groundwater may not be as pure as we once thought.

*Preserving our air, our land,  
and our water is more than  
saving a pond or a tree. It is  
saving something that  
makes us better than  
ourselves, and gives us the  
strength to grow and  
flourish.*

During the past year, I have become increasingly concerned with the growing number of homes, and even communities, whose wells are contaminated by chemicals. People who get their water from the 600 municipal or private purveyors are already protected by tough state laws. But homeowners with contaminated wells, and towns or neighborhoods with impure well-

water, deserve and need the State's help to solve their immediate and long-range contamination problems.

DEP aided at least 25 towns last year, but was limited by existing law. Their statutory authority for this is contained in the New Jersey Spill Compensation Act, which requires DEP to find the culprit for the pollution, and the homeowners to lay out the money themselves before they can be reimbursed. This could delay the replacement of bad wells by years at a time when quick action is needed. I want to expand our ability to help these towns and people through the creation of the Water Supply Replacement Trust Fund.

We assume that, conservatively, 20 percent of the current 250,000 private wells need to be replaced. I just signed a bill, sponsored by Assemblyman Jack Hendrickson, that allocates \$10 million to begin this process. This is only a start. I recommend that we create a loan program, to be administered by DEP, to be funded with money from the existing cleanup. This will provide \$60 million in low interest loans for the people or communities who need alternative sources of water to replace the contaminated supplies.

Pure drinking water is not a luxury. We must not only protect

our water from man-made problems, but from naturally occurring threats as well.

Two major reservoir projects were either completed or begun last year that will assure New Jerseyans adequate water supplies into the next century. We completed the Wanaque South Project, which included the 7 billion gallon Monksville reservoir. This \$150 million system can deliver an additional 79 million gallons of water per day to people living in the northwest section of the state. We should never again have to face the problems we did during the 1981 and 1985 droughts.

While we cut the ribbon in Monksville, we were breaking ground on the Manasquan Reservoir, a 4 billion gallon, \$83 million system of reservoirs capable of providing 31 million gallons of water a day to residents of Monmouth and Ocean counties. Water management is old hat out West, but we in the East are learning all about it. I am proud to report that New Jersey is at the head of the class in the Northeast. No other state has moved as aggressively as we have to protect our water supply.

#### **NEW JERSEY: STATE OF THE ART**

Being at the head of the class is not new for New Jersey's environmental efforts. As a matter of fact, we can write the book on solving the garbage and toxic waste problems. Our approaches are so well thought of that last year the Fund for Renewable Energy and Environment ranked New Jersey Number 1 in solid waste management and called us a national leader in overall hazardous waste management. Simply, New Jersey's efforts in these areas represent the state of the art in solid and hazardous waste.

Why? Because we have recognized the twin problems garbage and toxic waste pose and have figured out a way to solve them while other states are only now admitting these problems exist.



Trash is not something you ordinarily want to brag about. As you know, our goal is to be self-sufficient by 1992. We no longer want to depend on out-of-state landfills by then. Last year was the year we turned the corner on the garbage problem, and made important strides to attain our goal.

We made gains on every important front: recycling, resource recovery plants and landfills. They must be spoken of together because solving our garbage disposal problems depends on all of them. We must recycle to reduce the

amount of garbage that must be burned or buried. And even with our state of the art resource recovery plants, we will still need a place to put what cannot be burned, or what remains after we burn.

On April 20, I signed the landmark recycling legislation sponsored by Assemblyman Arthur Albohn and Senator Paul Contillo, which gives New Jersey the distinction of having the most comprehensive recycling program in the country. The counties have spent the last several months de-

veloping plans that will go into effect this April. Now New Jersey will be able to reduce the amount of garbage it must throw out because it is increasing the amount of garbage that it will reuse.

As you read this, Warren County's resource recovery plant is almost complete, and Essex County is about to break ground on its plant. We have just issued construction permits in Bergen, Gloucester and Camden counties and expect to begin building them soon. In all, the State and counties are planning to invest more than \$3.5 billion to build these plants. Meanwhile, two state-of-the-art landfills were opened last year in Gloucester and Cumberland counties, while we gave permission to build new sanitary landfills in Sussex, Salem, Warren and Burlington counties.

Some counties have not progressed as fast as others. I commend DEP for helping five northern counties establish transfer stations to package garbage for the long haul out of state. Transfer stations, though, merely plug the gap. They are not the ultimate answer, which by law rests with the counties.

DEP stands ready to take emergency, temporary steps, but its ability to do so is limited by existing law. I urge you to pass legislation, sponsored by Assemblyman



Robert Shinn which would broaden its authority. The Shinn bill would give DEP the power to hire contractors to build emergency facilities, and then pass the costs on to the counties who have failed to do the job themselves.

Garbage is a charged issue. That is why some counties have not moved as quickly as we would have liked. Choosing landfill and resource recovery plant sites can make elected officials less popular than Ebenezer Scrooge on Christmas Eve.

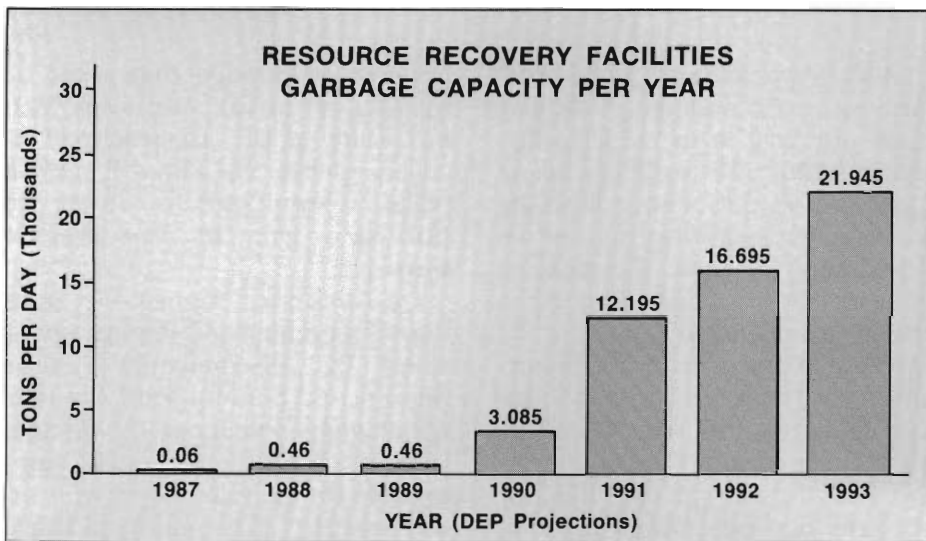
The rapidly increasing costs of throwing out garbage is having the same effect, and it is understandable that many legislators want to help blunt the impact of these higher costs. But the fact is these

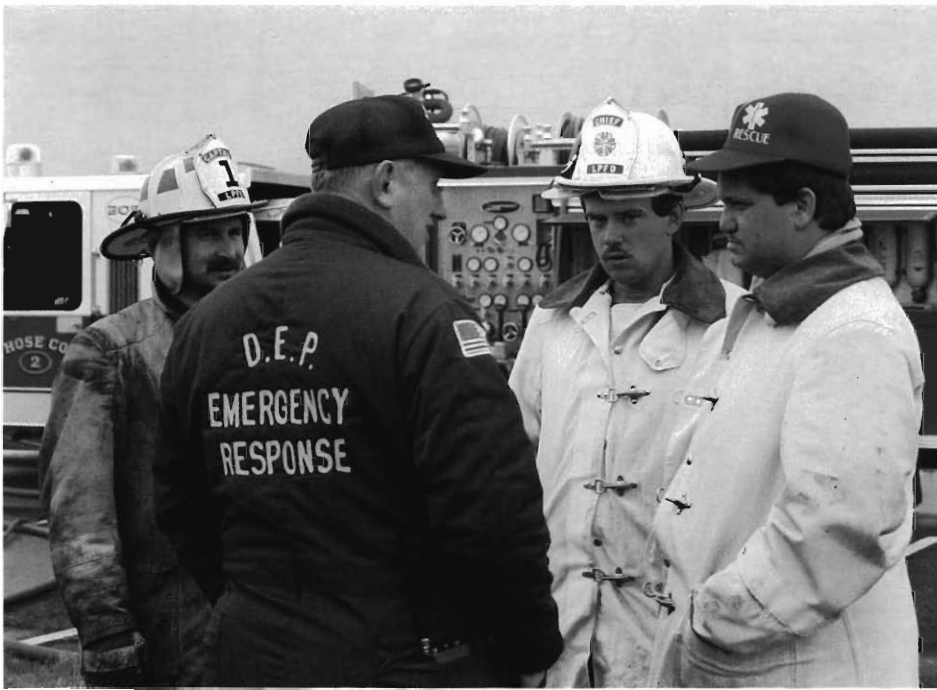
costs reflect years of failure. Garbage will never be cheaply disposed of again. We are now paying the true cost of garbage disposal instead of passing that bill on to our children.

One other bill has not yet come due. Many of the 300-odd landfills closed during the past 20 years do not pass today's environmental muster. We must bring them into compliance with modern standards and this is going to cost money. We need to develop the best plan to handle and pay for this challenge. I believe this year that we must begin to study the task ahead to provide some of the answers.

One of the reasons why people like the Fund for Renewable Energy and the Environment are so impressed with New Jersey is because of our dogged commitment to solving the dilemmas posed by past, present and future hazardous and toxic wastes.

Last October, Commissioner Richard Dewling introduced New Jersey's Comprehensive Management Plan that will govern our toxic and hazardous waste cleanups for the next five years. The plan is a guide to how we are cleaning up past mistakes, controlling current use of hazardous chemicals, and preventing future Lipari Landfills from happening. And the plan will involve every New Jerseyan. Our long-term success depends to a good deal on public support, and





we want to make sure our program enlists the public and remains accountable to it.

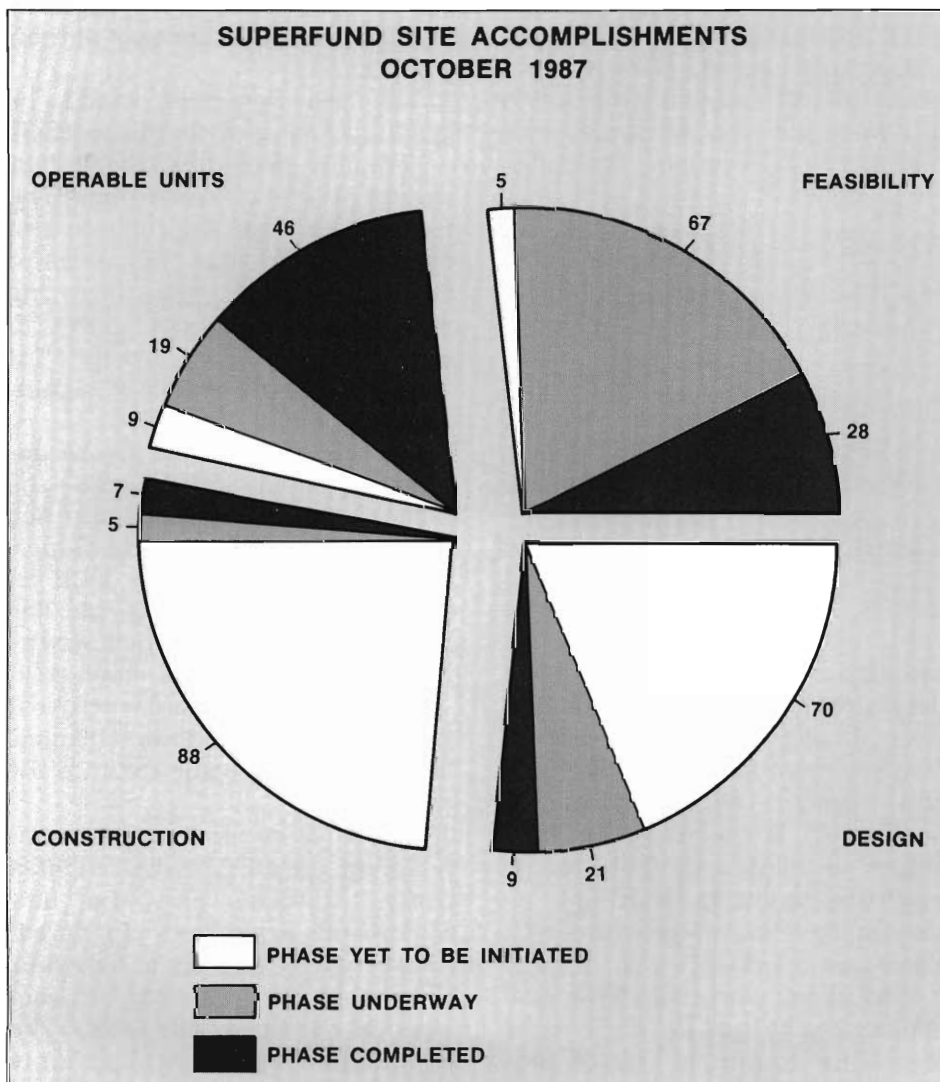
We have devised a system called the Case Management System to guide us through the long and expensive process of cleaning up Superfund sites, and to provide the stable, long-term supply of money to pay for these cleanups. As of last July, the State had \$709 million in Superfund, New Jersey Spillfund, bond act and general appropriation money to pay for these cleanups.

This has allowed us to end every emergency or potential emergency at the state's 100 Superfund sites. At Price's Pit Landfill, for example, we moved the wellfield that Atlantic City uses. To protect their drinking water supply, we moved their entire source of potable water.

Steps like these remove the immediate danger, but do not begin to remove the long-term threat these sites pose. That is where our cleanup program comes in. We have begun or completed remedial investigations at 95 percent of our Superfund sites, while we have begun or completed a third of all the design work necessary before we begin the construction needed to end this chapter of our environmental history. We have been able to do this because we have moved aggressively to capture federal Superfund money. Last year was the third in a row in which New Jersey got more money for cleanup than any other state. And for the coming year, Washington has promised us a fourth of all money being given to the states.

Thanks to New Jersey's efforts, our cleanup program has never stopped moving forward. We expect that in the next year to year and a half, you will see the pace quicken. Washington's delay in passing a new Superfund put us about one year behind the schedule we were following, but as this new money flows north, you will see a burst of construction work toward the end of 1988 and in 1989.

But this only looks to the past. New Jersey wants to make sure



## ANATOMY OF A CLEANUP



**July 1985**



**August 1985**



**January 1986**

that as it cleans up one site, three others are not being created. We are trying to hold the amount of hazardous waste being created to a minimum, while making sure that old industrial sites do not merely fade away, but end their manufacturing lives clean.

Our Environmental Cleanup Responsibility Act (ECRA), which won the Council of State Governments' 1987 Innovation Award, is intended to make sure that old properties with problems are cleaned up before they are sold. It is one way we can eliminate future hazardous waste problems.

Hailed nationally, we improved ECRA last year. We streamlined the program so we could process ECRA cases faster. Now 80 percent of all ECRA documents are processed in 30 days or less. Now cleanups of old industrial properties can be completed faster and their reentry into the stream of commerce can happen more quickly.

We made several other notable gains last year. The DEP conducted the first statewide survey of who is producing hazardous waste. We issued the first permit allowing a company to use recycled hazardous waste. And for the first time, we made reducing the production of hazardous waste a condition for a water pollution control permit.

But the best way to make sure

we do not have a future hazardous waste problem is to stop it at its source. Waste that is not produced does not need treatment or disposal and cannot pollute.

Last year I stood before you and asked you to create a program to minimize the amount of waste we produce by encouraging manufac-

*Last year the Fund for Renewable Energy and Environment ranked New Jersey Number 1 in solid waste management and called us a national leader in overall hazardous waste management.*

turers to change the way they make their products. Du Pont and 3M have already shifted their production methods to use solvents and chemicals that do not produce this waste. We want other companies to follow suit. The change could be something as simple as shifting from an oil-based ink to a water-based ink.

Part of my plan included a system of fees to pay for the cost of regulating hazardous waste production and to encourage current

producers to make the sort of changes I just mentioned. Some of the money would also be used to pay for audits small businessmen and women would conduct of their companies.

The fee schedule would be graduated so that the more waste a company generates, the higher the fee it would have to pay. The fees and the existing high cost of disposal would spur companies to choose less toxic manufacturing methods. We are not going to eliminate hazardous waste, but this will help us reduce it significantly.

Changes made in the way we administer three other laws—the Toxic Catastrophe Prevention Act, Right to Know and new Superfund—ought to earn the DEP an award from someone next year. The point of each law is to increase the protections our towns have from some chemical mishap, whether it is the spill of some liquid chemical or the escape of some gas into the air.

Under the concept of Community Safety, the DEP has pulled all of these programs and the new Superfund Emergency Preparedness program together to have one, comprehensive response to accidental releases of chemicals. The DEP, State Police, local and county governments are able to work



**May 1986**



**January 1987**



**April 1987**

smoothly together in the event of an accident. We want no Bhopals in New Jersey. We can now try to prevent accidents from happening, respond quickly when they do, and punish the liable if the need arises.

Bhopal was a dramatic example of the threat man can pose to the environment and his fellow man. Another airborne incident last year, not quite so dramatic, reminded us of another environmental problem. Think back to the late fall and you will recall the several days when the air seemed as if someone had hung gray drapes in it.

The smoky haze that stretched north from West Virginia was caused by fires burning there. It reminded us again that controlling air pollution must be a regional question, not one that can be left to each state irrespective of its neighbors.

Federal law requires New Jersey to reduce the amount of ozone present in our atmosphere. If tomorrow we turned off every car, shut down every factory and banked all the furnaces in every home, we still could not comply with Washington. Why? Because ozone pollution from states like Pennsylvania, Ohio and others up wind of New Jersey would continue to flow in. We will do what we can to comply with federal law. We

must. But we also must have a regional solution to this problem, and I ask our congressional delegation to work toward this.

I am very proud of the job we do in New Jersey to protect the environment. I told you about ECRA. Let me tell you about Project Teach. Commissioner Molly Coye and the Department of Health have created a new program intended to reassure the residents of towns where hazardous materials have been discovered, by teaching them about the threat.

Reassurances from Trenton are seldom sufficient to dispel the fear and frustration that follow these discoveries. But through Project Teach, doctors, health officials and educators go into the towns to evaluate the problem, and then suggest a way to minimize the threat. For example, when benzene was found in the drinking water of over a dozen families in one township, it was removed by installing filters in the affected homes.

Project Teach gives community members a chance to learn firsthand about the risk that a hazard might pose. More importantly, it involves an opportunity to shape the state's response to problems. This makes for better relations and better solutions, as we work together for a clean New Jersey environment.

### **HANG TOGETHER OR SEPARATELY**

As I mentioned earlier, our entire hazardous waste program is permeated by the idea that we must involve the individual New Jerseyans. No where is this more important than in our search for a new hazardous waste treatment, storage or disposal site.

The end of 1988 or the beginning of 1989 is when we will most likely have chosen a site for a hazardous waste incinerator. Senator Pat Dodd and the Hazardous Waste Siting Commission spent last year reviewing sites and have narrowed the list down to three; Edison, Millstone and Burlington, and are mulling offers from three private companies to build the facilities on their land.

Pat Dodd and his commission have run the gauntlet of public opinion for the last several years. Scorn is the kindest reaction they have encountered. But they deserve praise. They have taken the difficult but correct road by soliciting the opinions of our populace. They have kept politics from creeping into their determinations. They have relied, instead, on professional and scientific analysis. That is why they eliminated locations that did not meet the scientific criteria.

The commission will continue to review the six sites where an incinerator might be built. During the first few months, the commission will review the second tier of characteristics the sites in each of the three towns must meet, and will begin to review the initial qualifications of the private sites. Later this year, we expect the towns themselves, with money supplied by the state, will conduct their own studies.

This is not easy. We are paying now for generations of misuse, mistake and ignorance. Siting a hazardous waste tomb or choosing a place for a new landfill is not something that is easy or pleasant to do. I do not enjoy being heckled by demonstrators and I know Pat and the other commission members have spent more pleasant evenings.

But we have no choice. Our society depends on metals and chemicals and solvents to get by.

Ben Franklin said during the American Revolution, "We must all hang together or we shall all hang separately." If we do not work together, if we allow people to say, "No, Not in My Backyard," we will cripple our state. We will not be able to continue to solve the garbage problem or deal with the hazardous waste problem or any of the unpleasant social responsibilities we must face.

*If we allow people to say,  
"No, Not in My Backyard,"  
we will cripple our state.*

In 1928, Henry Beston wrote, "When the Pleiades and the wind in the grass are no longer a part of the human spirit, a part of the very

flesh and bone, man becomes, as it were, a kind of cosmic outlaw, having neither the completeness and integrity of the animal nor the birthright of a true humanity." It is our historic responsibility to make sure that we do not lose sight of the stars because of smog and tall buildings. It is our job to make sure that we do not become deaf to the rustling grass because we have paved it over. It is our job to make sure that New Jerseyans do not gain the power to walk on water because it has become encrusted with silt, dirt and pollutants. As Beston suggests, preserving our air, our land, and our water is more than saving a pond or a tree. It is saving something that makes us better than ourselves, and gives us the strength to grow and flourish.





## HEALTH & HUMAN SERVICES

**W**e are watching a transformation as profound as that of 100 years ago when America changed from a nation of small, sleepy, agrarian towns into a nation of mighty cities and busy factories. Now many of those factories are shuttered, their smokestacks silent, as we again change, this time to an economy that trades in knowledge and electronics, technology and services.

The Industrial Revolution disrupted lives and tossed a generation into confusion and fright. It was an era where only the fit were supposed to survive and government stood by idly, cheering the merchant and ignoring the mendicant. The Populist and Progressive movements were the result, as America wrestled with wrenching changes and dislocations.

Today's changes are no less wrenching. The pop singer Billy Joel captured this in a hit song several

years ago. Allentown, Pennsylvania, was the subject of his song, but he was talking about an entire segment of our society.

"Well, we're waiting here in Allentown, for a Pennsylvania we never found, for the promises our teachers gave, if we worked hard, if we behaved," he sang, "So the graduations hang on the wall, but they never really helped us at all."

Thousands of New Jerseyans find themselves similarly situated. The world is moving too fast and they are not speedy enough to keep pace. A hundred years ago, government leaders shrugged, saying that the race was to the swift, and if there were some that were not fleet enough to stay in that race, that was how it was meant to be.

Attitudes have changed. Government no longer looks at the poor or the weak and says that their plight is their own fault. Government—my government—is active and compassionate, extending aid

and comfort to those who are unable to compete, and training and education to those who would compete if only given a chance.

Make no mistake: as New Jersey continues to lead the nation and compete internationally, we must not forget those who seem to be left behind. We have moral duty to help those who cannot help themselves, and a societal duty to equip those who would if they could with the tools they need. New Jersey is not whole if only Princeton prospers while Paterson does not.

Throughout this message I have explained how we will bolster our economy, how we will rebuild our schools, and how we will strengthen our hand against international rivals. Now I must say a few words about our neighbors who need our help.

Glance at New Jersey and four groups leap to your attention: the chronically poor, the extremely ill, the aging and the vulnerable young. These groups are not exclusive, and people in one group frequently hold memberships in at least one of the others. These are the men, women and children who need us the most.

### HAVE-NOTS

There is no way to "solve" old age and there is no way to cure some



of the most serious diseases that afflict New Jerseyans. But we can help many of the chronically poor break the cycle of poverty that imprisons them in a life that depends on the dole. Last year, I stood before you and introduced Realizing Economic Achievement, REACH, our strategy for welfare reform. It was the most ambitious reform in the nation then, and it remains so today.

One year later it is more than a theory. Welfare reform is working in South Jersey, in a pilot project

in Atlantic City. Residents of Cumberland, Salem, Cape May and Atlantic counties are shucking poverty while gaining the dignity and independence that earning a weekly paycheck brings. Two women I met, Barbara Whitney and Gloria Gould, illustrate perfectly what we are trying to do.

Both are young mothers who quit school when they got pregnant. Their situations led them to the welfare line and they were trapped in the morass of welfare dependence. Then we intervened with the Atlantic city welfare reform pilot program.

We provided Barbara and Gloria with day care for their children. We subsidized their transportation. We made sure they got training. We made sure they received the medical benefits they needed. Today they have turned their lives around. Instead of reaching into their mailbox for a welfare check, they are reaching into an envelope for a paycheck. We do not have to pay them welfare, and they are paying state income taxes. Now these women are talking about getting raises and promotions.

Welfare reform works. Not for everyone—there still remain a significant number of people who will never be able to hold a job, and last



year we increased the amount of public assistance they receive. But we should be able to get thousands of able-bodied men or women off welfare. We expect some 1,500 other South Jersey residents to share Barbara's and Gloria's experiences in the Atlantic City project over the next three years.

In fact, every able-bodied welfare recipient must take part in REACH. We have, and will, go after people who abuse the system. Last year, for example, New Jersey was fourth in the nation in reducing our welfare rolls because we found absent parents who should have been paying child support and were not.

By this means, we found people who should not have been on welfare in the first place, and we removed them. Through REACH, others who want to leave welfare can. We believe there are thousands of Barbara Whitneys and Gloria Goulds in the 365,000 people who are on New Jersey's welfare rolls. We are especially heartened by the prospect of taking young mothers like these two and putting them back on their feet.

This is a particularly important group of poor people. Young mothers who go on welfare tend to stay on welfare—in fact, they have a 40 percent chance of staying on welfare for a decade. And the longer they stay, the less likely they are to retain whatever skills they once possessed to find and hold a job.

Welfare reform made it off the drawing board and onto Pacific Avenue last year. Our experiment in welfare reform continued in Newark and Camden, where we not only worked with poor young mothers



to get them jobs, but we worked to teach them about raising their children as well.

And welfare reform took its initial steps in North Jersey, too. We established the REACH program during October in Bergen, Middlesex and Union counties. There, county government and business leaders, representatives of county welfare agencies and state Human Services Councils met to design a REACH program that would work in each county, tailoring the details to local needs.

On October 8, I signed landmark legislation extending Medicaid coverage for up to a year for all welfare recipients who leave the rolls to go to work. I want to thank Assemblyman Tom Deverin and Senator Richard Van Wagner for sponsoring legislation that will mean that single parents will no longer have

to worry about paying their children's medical bills because they have found jobs. We will extend REACH to Mercer and Passaic counties next month, and to Atlantic, Burlington, Cumberland, Monmouth and Ocean counties in May.

The hardest thing to do is to change someone's mind, harder than getting through the Lincoln Tunnel at 5 p.m. on the Friday before Labor Day. For a good many years, people's minds had been made about welfare. It was either the poor's fault because they were lazy, or it was society's fault because it did not do enough. We do not waste time worrying about ideology in New Jersey. As Deng Xiaoping once said, "It does not matter whether the cat is black or white. It only matters if it catches mice." REACH is our cat, and it is catching the mouse of poverty.

None of this has been easy, and there are many people to be thanked. Senators James Hurley and Catherine Costa, and Assemblymen Harold Colburn and Gary Stuhltrager sponsored this landmark legislation. Commissioner Drew Altman has designed an excellent program and done a good job selling it in Trenton, Washington and, most important, to the counties. I must thank the busi-

# REACH

REALIZING ECONOMIC ACHIEVEMENT



ness people, the Private Industry Councils, for without their help, we could not make this work, and the different community groups, such as the Urban League, the Council of Churches and the Puerto Rican Congress. We cannot forget Washington, which last year granted us the necessary waivers to operate REACH. Without these waivers, the first of their kind in the nation's history, we could not have launched REACH as we intended.

REACH deals with poverty after the fact. We have begun another program that attempts to forestall poverty by changing the course of a child's life from conception. What happens during pregnancy will affect the life of the child after birth. By making sure mothers give birth to strong and healthy babies, we are giving a child a much better chance.

We believe that many diseases that afflict our poor have their roots in an unhealthy pregnancy and infancy. Half of the mental retardation cases in New Jersey could have been prevented, for example, if mothers had known how to care for themselves and for their young. Something as simple as improved nutrition would reduce the number of low-birthweight babies, who are the most vulnerable of infants.

If we intervene early, we are less likely as a society to have to become involved later. Spending a dollar today will not only save the State three dollars later, but save priceless lives as well.

Most women become pregnant and go to obstetricians. For many of us, this is so obvious that it is a truism: the earth is round, snow is white, pregnant women see doctors.

But it is not a truism for poor women. Not only do they not have the money to see a doctor, too many frequently do not know they should. The first time many of them see a doctor is when they are wheeled into the delivery room to give birth. As a result, in 1985, New Jersey's 10 largest cities had an infant mortality rate of 17.9 per thousand births and a state average of 10.8 per thousand.

Then we did something about it. We created the Healthy Mothers/Healthy Babies project and increased the amount of the federal Women, Infants and Children funds we spent. In one year, the infant mortality rate in cities fell by more than 10 percent, and the statewide average fell by 9 percent. It was a step in the right direction.

But a step only begins a trip; it does not complete it. In my Annual

Message last year, I announced to you a plan to continue our journey to a lower infant mortality rate. I announced to you our plans for Health Start. Last April I signed the legislation, sponsored by Assemblyman Doc Villane and Senator Richard Van Wagner, that authorizes Health Start. Now we are ready to begin.

After more than a year of careful planning, the departments of Health and Human Services will begin next month to offer comprehensive prenatal and neonatal care packages to approximately 25,000 pregnant women and 43,000 children up to two years old. We will screen women for health problems and warn them about the dangers drinking, smoking and using drugs pose for their unborn children. We will teach them, and the new mothers, about the importance of nutrition.

These mothers will get state-of-the-art care, not second-class care. Through our new JerseyCare program, we will expand Medicaid to pay the doctors' bills for these mothers and children. And with the help of a \$6 million grant from the Robert Wood Johnson Foundation, we will be able to make sure that every woman eligible for Health Start will receive the full array of services the program offers.

## DOCTOR BILLS

As REACH and Health Start suggest, our poor are more vulnerable to sickness because they are frequently unable to see a doctor regularly and do not see a doctor until they must visit an emergency room.

This means two things: much sicker people are getting attention too late, and far higher medical bills that must be picked up by the State are being incurred. Typically, a sick person visits the emergency room of a hospital, running up a bill five to six times what a visit to a doctor's office would cost.

Medicaid is the State's single largest service program, costing the taxpayers \$1.5 billion annually.



The current system, which pays for services as they are used and depends so heavily on institutional care, encourages higher costs than are necessary. It is time to reform Medicaid spending and provide better treatment for the poor.

Most of us are familiar with health maintenance organizations. Because HMO's are paid a set annual fee in advance, rather than on an "a la carte" basis, they have an incentive to provide more primary health care and preventive services. In this way, they are more likely to discover an illness in its earliest stages or prevent it altogether. This approach is a prescription for better health and cheaper health care. It is not the only way to go, but it does represent one promising direction to take.

The time has come to expand this principle to our 500,000 Medicaid recipients. I am proposing that New Jersey create the Garden State Health Plan (GSHP), the nation's

first state-run, statewide, federally approved HMO.

GSHP would offer Medicaid recipients the option of receiving care from a panel of hundreds of private doctors and medical groups whose services would have been paid for in advance. We believe

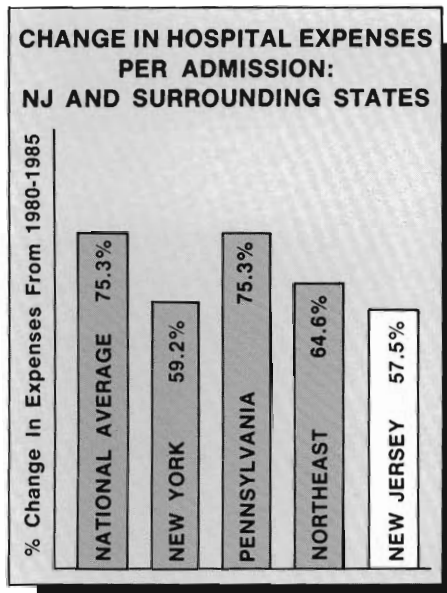
*New Jersey will not shirk  
from its responsibilities.  
There are New Jerseyans  
dying who need our help.*

GSHP can attract 50,000 recipients within the next three years, and give these people the option of having a family doctor—just like middle-income people I have. By shifting from a system that depends on expensive emergency room treatment to one that

emphasizes early and preventive treatment, we believe this program will save substantial money in the long run.

While we expand the choices Medicaid patients have, we must not forget to strengthen the existing system of providing health care. Some of the fees we pay to the doctors who treat Medicaid patients have not been increased in more than a decade. If we do not want poor New Jerseyans to lose their opportunity to see a doctor, we must begin to increase the fees we pay the doctors, dentists and other people who provide care through the Medicaid program.

The poor are not the only people who have problems paying doctor bills. In some ways, the near-poor have greater difficulties. Typically, they are too poor to afford medical insurance, but make too much money to qualify for Medicaid. Early in this decade, New Jersey adopted a system that made sure



that everyone, the near-poor and the poor, could obtain hospital care when they needed it. Those who could pay, paid slightly higher bills to cover the costs of treating those who could not.

Over the years, though, we noticed an imbalance developing. Some hospitals were treating far more patients without insurance and the means to pay than others were. Their paying patients were paying far more than other paying patients elsewhere. The mark-up for uncompensated care reached as high as 25 percent at some institutions.

The Uncompensated Care Trust Fund, sponsored by Assemblyman Colburn and Senator Richard Codey, changed this. With its adoption last January, hospitals began sharing the cost of uncompensated care more fairly. The trust fund established a statewide standard mark-up for all hospitals. The trust fund collects equal contributions from all insurers and redistributes this money to the hospitals who bear the heaviest load of uncompensated care patients. As a result, all hospitals now contribute equally, regardless of where care for the medically indigent is needed.

The Uncompensated Care Trust Fund works. A 1986 survey by the Robert Wood Johnson Foundation confirmed that our insured citi-

zens have better health care than those in other parts of the country. The trust fund has eliminated the "dumping" of patients from one hospital to another, a problem in other parts of the country, and it has helped protect the solvency of inner-city hospitals that provide the highest volume of care to uninsured poor people. What is more, the administrative cost of the trust fund system is quite low.

The legislation enacting the trust fund expires this year, and as required by law, the Department of Health has been working with two advisory committees to study and recommend how to finance and deliver care to the state's uninsured over the long run. Regardless of the form these efforts take, New Jersey will maintain its commitment to care for *all* its citizens.

### THE PLAGUE YEAR

One group of New Jerseyans need that commitment today more than any other group. As of December 1, more than 3,000 New Jerseyans were victims of Acquired Immune Deficiency Syndrome, known best by its acronym, AIDS. Last year I proclaimed AIDS the state's number one public health problem and it remains that.

While the scientists, doctors and researchers desperately search for a cure, public officials are search-

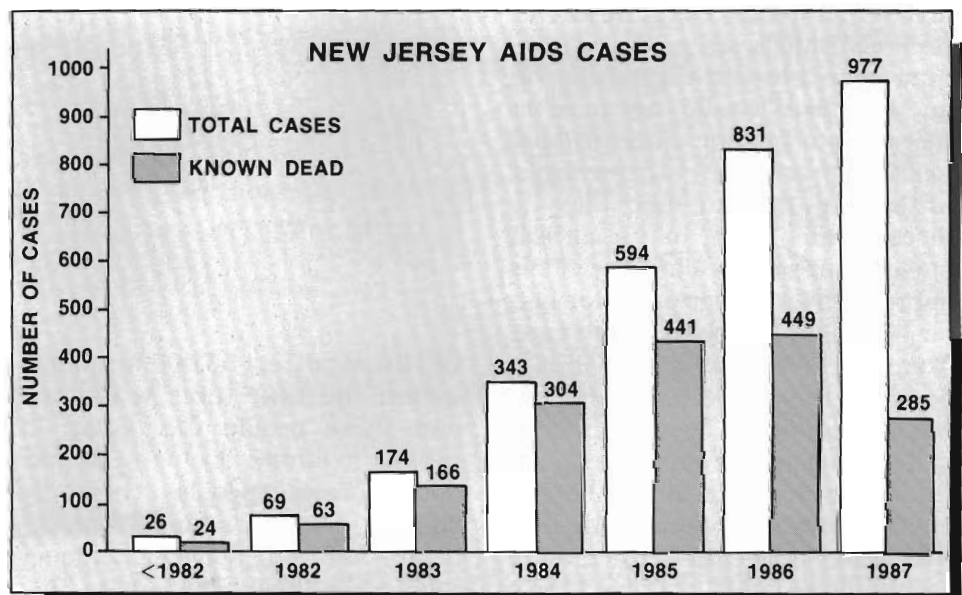
ing for the best way to handle the AIDS epidemic. New Jersey's policy follows two courses.

We are trying to convince everyone that AIDS can be avoided. It requires people to change the way they live, but the alternative is no life at all. And we are trying to extend care to all of the victims of this plague. I am proud to report that

*We have moral duty to help those who cannot help themselves, and a societal duty to equip those who would if they could with the tools they need. New Jersey is not whole if only Princeton prospers while Paterson does not.*

our doctors and nurses have responded with courage, while the departments of Health and Human Services and the health care industry are teaching the nation how to respond to this disease.

In New Jersey, AIDS is not primarily a gay person's disease. It primarily is a drug addict's disease. It has struck most heavily among intravenous drug users, and it is spreading to their sexual partners



and children. We rank fifth in the number of adult cases, but we are number two for the number of children with AIDS. The Division of Youth and Family Services (DYFS) already supervises more than 100 children with either AIDS or AIDS Related Complex. By next year, we expect DYFS to have more than 300 children with AIDS under its care.

The Department of Health has begun a coupon program to make it easier for addicts to get immediate treatment. The addicts hope for a high, but today needles carry death. Every addict we stop from shooting up is an addict who may avoid AIDS.

Addicts, though, are not easy to reach. They cluster in the shadowy recesses of our poorest big city neighborhoods. The usual public relations campaigns do not penetrate there. Late last year we began sending two mobile vans into the neighborhoods where we know the addicts congregate to tell them about the threat they face.

While we use vans to reach addicts, we used more conventional means to warn the general population of the dangers posed by AIDS. The Department of Health, the New Jersey Health Products Council and Rutgers University sponsored programs for journalists and journalism students to promote better coverage of AIDS issues. The department also developed a "Bands to Beat AIDS" campaign. It featured rock stars sending prevention messages to school-age children. It also developed AIDS curriculum guidelines for the state's 611 school districts. By now every school in the state should be making some effort at AIDS education.

We are expanding our AIDS testing at clinics that treat people for other high-risk diseases, such as tuberculosis. The State is also beginning a program to notify the sexual and needle-sharing partners of people who test positive for the AIDS virus. All measures are intended to help people avoid the activities that transmit the virus.



The explosion of AIDS patients is taxing our ability to provide and pay for health care, but necessity is forcing us to invent, adapt and improve.

The Robert Wood Johnson Foundation has given the Department of Health \$1.6 million to provide case managers at major hospitals to link AIDS patients with community-based care. New Jersey also became the first state to receive a federal waiver to allow AIDS patients to be cared for at home without losing their Medicaid benefits. Children's Hospital at Newark's United Hospitals is a national model for the acute care of children with AIDS, while St. Clare's Home in Elizabeth has established the nation's first pediatric residential care facility.

The burden will increase. Even if we manage to prevent everyone who is not now infected with the AIDS virus from contracting the disease, the number of patients we will have to treat is going to grow. There are thousands of people already infected but not yet ill who will require care.

New Jersey will not shirk from its responsibilities. There are New Jerseyans dying who need our help. Although some recoil from caring for AIDS victims, we will continue to meet the challenge of providing care. Next month I will ask you to approve a 132-percent budgetary increase for AIDS programs. The Department of Health will form a separate division to deal with AIDS.

This is an extremely serious problem and one of my top priorities. I ask for your full support.

We need to find new sites for clinics exclusively for AIDS patients. The surge in AIDS patients is flooding hospitals whose beds are needed for other kinds of care. AIDS patients are being treated there because not enough community centers exist. Deciding where to place AIDS clinics is not easy. It is far easier to say that it not our problem. We cannot morally do that.

### **EMERGENCY, STAT!**

One of the problems other places in the country have faced is doctors and nurses unwilling to treat AIDS patients. We do not have that problem in New Jersey. But we do share another problem with our sister states. We suffer from a general shortage of nurses.

New Jersey hospitals report that they have only 80 percent of the nurses they need. We are short of

*We are trying to convince everyone that AIDS can be avoided. It requires people to change the way they live, but the alternative is no life at all.*

Registered Nurses, Licensed Practical Nurses, nurses' aids, and other ancillary personnel. Hospitals, nursing homes and home health care are all affected. If we allow this to continue, the quality of health care in New Jersey will suffer.

Part of the problem is money. Nurses are not highly paid, causing bright young people to choose more lucrative professions. We are changing this. At my request, the Hospital Rate Setting Commission



approved a \$45 million increase in hospital rates last year so hospitals can pay nurses higher wages. We are also providing nursing scholarships so young men and women can enter this profession unencumbered by crippling debt.

But the problem is more complicated than this. Nurses complain about burnout, about the difficulty of advancing professionally and about the low prestige they believe nursing has. Last October I issued an executive order establishing a Nursing Shortage Study Commission to suggest ways, in addition to increasing pay, to attract and keep more nurses. I look forward to this spring when this commission will make its report. New Jersey is the state that gave the world Clara Barton, Clara Maas and Cornelia Hancock. We have a heritage of a strong nursing pro-

fession here. We must be true to this tradition.

Medicine has been glamorized on television for years. "Ben Casey" and "Marcus Welby, M.D.," showed us committed doctors saving lives.

***New Jersey's Emergency Medical System involves more volunteers than any other system in the country. Their dedication is unparalleled. This plan will make sure that we have not only the biggest, but the best system in the nation.***

"St. Elsewhere" captures how hectic a nurse's life can be. And "Emergency" revealed the hurly burly of a day in the life of an emergency medical technician.

These television shows only hint at what happens in real life. The television paramedics never had the federal Health Care Financing Administration indicate, as it did to New Jersey, that without a reorganization of our Emergency Medical Services system Medicare would no longer provide reimbursement for its services.

Nor does television realistically portray the anxiety and helplessness that we all feel when a family member is seriously injured or ill and is in need of live-saving emergency care. At that moment, we all want and deserve the best.

I formed the Governor's Council on Emergency Medical Services (EMS) in September of 1986 to bring together all the groups providing, financing and receiving emergency care across the state. I asked them to recommend how to

develop a well-coordinated statewide EMS system. Last May I received the Council's preliminary recommendations. The new systems will require full accountability from everyone in the EMS system and also assure every New Jersey resident access to the highest care.

Volunteers will continue to provide quality basic life-support service, the solid foundation of New Jersey's improved EMS. Their work will be coordinated with that of the advanced life-support system, hospital services, and the state's two Level-One trauma centers. In addition, a helicopter service will soon be available to complement New Jersey's ground EMS system. Helicopters will be positioned in North and South Jersey to rush patients to the hospitals and give them a better chance to survive injuries and illnesses than they would have otherwise.

New Jersey's Emergency Medical System involves more volunteers than any other system in the country. Their dedication is unparalleled. This plan will make sure that we have not only the biggest, but the best system in the nation.

### INNER VOICES

Up until now, I have been speaking about the physical well-being of our families, friends and neighbors. Now I must say a few words about their mental health.

It is estimated that at any given time, 15 percent of the population is in need of mental health services of some kind. For New Jersey, that means 1.3 million people, 80,000 of whom can be categorized as chronically ill.

Dorothea Dix once made New Jersey a leading innovator in treating the mentally ill. It was Dix who prodded legislators to build the institution we now know as Trenton Psychiatric Hospital, the finest mental institution of its time.

That was back in 1848. New Jersey no longer has the finest mental health system in the nation. The leading view is that most mentally ill people can be treated best if they

are treated locally, in their communities. Treatment in New Jersey, though, too often involves a stay in a state mental hospital. This is unfortunate because our system is weighted too heavily toward this sort of institutionalization. We should be offering more community mental health services.

*Our laws and programs are denominated by two themes. We rescue those in distress, and then we help those in need.*

We are beginning to make this shift. This year we will continue to shift spending from institutional to community care. We will begin to close down the Adolescent Unit at Trenton Psychiatric Hospital and reduce the size of Greystone Park Psychiatric Hospital as the new community services are ready.

Our goal is to transform the way New Jersey treats its mentally ill. It

is a delicate operation. We cannot begin to reduce the emphasis on institutions without the requisite community programs in place. And we cannot do that without the commitment and financial support of the State. I urge you to work with me to help us achieve this goal.

Programs for children and adults both need to be altered. Look at Trenton Psychiatric's Adolescent Unit for a moment. Each year the state spends \$7.6 million to treat 300 young people. If we replace this with a system of statewide programs geared specially for seriously troubled young people, we can treat many more children. These youngsters would be able to receive the specialized treatment they need in their towns instead of unnecessary and overly-long stays at the Adolescent Unit.

There are other changes we will be making. By next year, children younger than 10 will no longer be treated in State institutions, and children between 11 and 18 will be treated at the Arthur Brisbane Child Treatment Center, instead of Trenton Psychiatric.



The Department of Human Services' Northern Regional Expansion Project will reduce the number of beds at Greystone from 835 to 500 and use the \$11.3 million per year that this frees to support community mental health programs in the six counties Greystone serves.

Again, this does not mean that we will reach a point where we no longer need institutions. But if we can make them smaller, we can make them better than they have been in the past. Our goal is to create a better balanced mental health system, one with smaller, more efficient and effective state hospitals and with greater emphasis on the community.

We are determined to do a better job. That is why we instituted the toughest hiring policies in the country last year. We now require thorough employment histories and criminal background checks before someone can go to work in a State mental hospital. We have raised nurses' pay, offered bonuses to nurses with advanced degrees, and next year hope to expand our nursing scholarships so we attract and retain more and better educated nurses. And we will soon establish a Mental Health Training Academy to provide uniform training for everyone who works in the State mental health system.

### YOUNG AND RESTLESS

Talking about mental health, the nursing shortage or EMS lends itself to the abstract. But talk about children or the elderly and like the lens of a 35-millimeter camera in the hands of a professional photographer, the picture becomes much clearer. We all have mothers and fathers, sons and daughters. We all know someone very young or very old who is dear to us.

Our laws and programs are denominated by two themes. We rescue those in distress, and then we help those in need.

Clearly one of those groups is our adolescents. The spate of suicides in Bergenfield two years ago underlined something we have



known for a while. Teenagers in America today seem to feel more alienated and more upset with their lives than the preceding generations.

Suicide is the second leading cause of death for adolescents, after accidental death through alcohol or drugs. Four in 10 teenagers abuse drugs or alcohol, while 30,000 teenage girls get pregnant each year. When nihilistic and angry groups like Twisted Sister and Motley Crue command sellout shows at the Meadowlands and Madison Square Garden, it is telling us something disturbing about the zeitgeist of our adolescents.

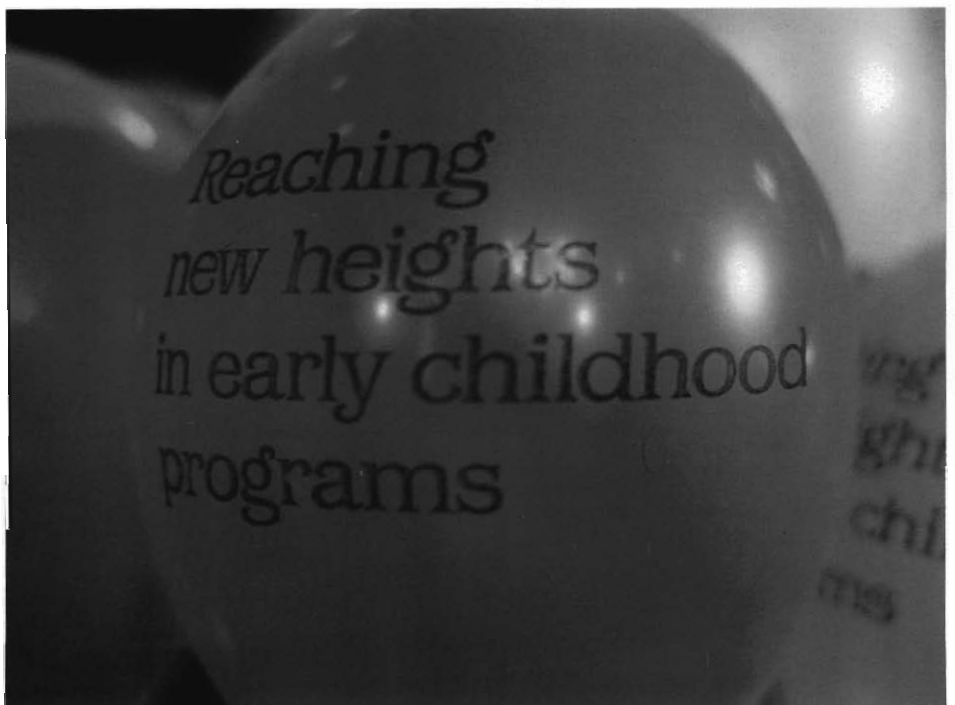
In last year's message, I told you

that we would create a new approach to handling the array of problems our teenagers face. We have spent the past 12 months designing the School-Based Youth Services Program to reach out to teenagers with troubles, and to wed the educational and human service programs we offer to these children.

Our schools cannot easily teach children who are emotionally distraught, pregnant, hooked on drugs, or who see no hope for a job, much less a rewarding career. Nor can our human services system help children who simply have not been taught the educational skills they need to make it in today's society.

We envision creating 25 to 30 centers in or near our high schools to provide the advice and counseling our 13- to 19-year-olds need. The ultimate goal of the program is to help assure that teenagers graduate from high school, be employable, and healthy and drug-free. As you read this, the Department of Human Services is sifting through 67 proposals to establish these centers. Every county will have at least one center.

Many of the problems that surface during adolescence have their





roots earlier in the child's life. Child abuse at an early age, for example, breeds more problems later. And 1985 and 1986 studies of young people who are arrested show long-standing problems at home.

If we can intervene early on, we can help children avoid future problems. Three years ago, the hot social issue was child abuse. Long after the last television story was over, New Jersey is still working to protect children from abuse. Last year the Division of Youth and Family Services (DYFS) and the Governor's Task Force on Prevention of Child Abuse and Neglect expanded our acclaimed Child Assault Prevention Program. More than 165,000 children attended workshops to teach them how to avoid abuse. Child abuse was also fought by 16 community programs paid for, in part, by the \$500,000 collected through the state's Children's Trust Fund.

When I began this chapter I said that social forces are putting strains on our residents that were unknown a generation ago. The family that Donna Reed and June Cleaver presided over is all but a relic. Lower real wages in some cases have forced families to choose between a lifestyle lower than the ones their parents knew or have both parents work. The question arises: What about the children?

Many couples are delaying having children, but delays do not solve the problem of caring for them once they arrive. Daycare is filling the void created by an economy that demands that Mommy, as well as Daddy, work. The State cannot create enough daycare, but it can encourage its growth and make sure that the services offered are safe. We now have a computerized referral system that will tell parents what care is available and where. Last year DYFS began putting into effect the first state law regulating family daycare homes. And DYFS and the New Jersey Child Care Advisory Council are preparing proposals to improve the availability of daycare in New Jersey.

Another group of children and adults, the developmentally disabled, are vulnerable and need our help. As with mental health, our emphasis is getting these men, women and children back into the communities. More than 4,000 of these people already live at home, while 3,700 have been placed in group homes or other living arrangements. Still, some 5,300 New Jerseyans with developmental disabilities live in developmental centers.

We are expanding services to these people while we are also in the midst of a \$20 million expansion of community care. The 10

developmental centers the state operates have a long waiting list for a fixed number of beds. We want to reduce the demand on these facilities and help those clients who can rejoin society.

Many of the developmentally disabled can live a more ordinary life if given a chance. Last year, for example, the Division of Developmental Disabilities' Project Hire program found jobs for 192 people, bringing the total of employees once thought incapable of working up to 327.

### RETIRED, NOT RETIRING

We remember the classic riddle of the Sphinx: What moves on four feet at dawn, two feet at noon and three feet at twilight? The answer, as Oedipus knew, is man. We may fool ourselves but we cannot fool time. As we age, we can no longer





can keep the promises we may have made as younger men and women.

Special cognizance must be taken of that, and New Jersey does. With 1.3 million elderly and the second highest median age in the nation, we have to. Thanks to the existence of the Casino Revenue Fund, New Jersey can afford to help our elderly as other states cannot. This year, for example, we can maintain the Pharmaceutical Assistance for the Aged and Disabled and keep up with inflation. We can also expand the Respite Care program so more of our elderly can be treated at home and not have to enter a nursing home.

Spreading the word is one of the toughest problems we face when we help the elderly. The menu of programs we serve covers nearly 20 departments, and frequently they do not know where to turn for help.

Two years ago we began offering a toll-free number that would allow an old man in Lambertville or an elderly woman in Kingston to call up and find out what we can do for them. Last year we averaged 2,000 to 2,500 calls a month, almost triple the 1986 level.

One of the worries that the elderly fret about most is how to pay the doctor bills they may face. Many have health insurance, but often they have more than they should or not enough. Insurance is confusing and the policy booklets are replete

with fine print. It is not easy for a layman to understand these modern mysteries. As one Linden man said, "By golly, we're not dummies. I don't think 90 percent of the people can figure (it) out. They just don't make themselves clear."

We have a program, the Senior Health Insurance Program (SHIP),

***New Jersey will always take care of its sprawling family, the weak and ill as surely the strong and well.***

that makes sense of health insurance policies. We train retired people, many of whom used to work in the insurance industry to explain health insurance. Now 350 volunteers help their fellow elderly choose the coverage that is right for them at a price they can afford.

Last year a Monmouth County woman asked a SHIP volunteer to look at the two health insurance policies she was paying for. The first cost her \$2,800. The second cost \$700. The volunteer scanned the policies and in a short time gave the woman good news. Not only did the \$700 policy contain as much coverage as the more expensive policy, it even offered

slightly more protection. The woman canceled the first policy and saved the \$2,800 a year it cost her.

We began this program in Camden, Mercer, Monmouth, Somerset, and Union counties last year. We then extended it to Hunterdon, Atlantic and Morris counties later in the year. And we will expand it to Bergen, Hudson, Essex, Passaic and Salem counties this year. Inadequate or uselessly redundant protection is too high a price to pay for the arcana of insurance.

Some elderly are simply too poor to afford any health insurance. Some have been covered by Medicaid. Last year we dramatically expanded the number of people, including the elderly, who are covered by Medicaid through a program I already mentioned briefly, JerseyCare. The federal government has changed the Medicaid rules, and New Jersey is one of the only states taking full advantage of the new opportunities.

Legislation sponsored by Assemblyman Bob Singer and Senator Frank Pallone will allow us to capture additional Medicaid money to broaden services to include an additional 57,000 elderly and 8,000 blind and disabled people. JerseyCare will make sure that these men and women can rest easy knowing that their medical bills will be paid if they take sick.

But that is not all we did in 1987. Last year we provided nearly 400,000 meals through our congregate nutrition program, 1.9 million meals to the home-bound elderly, 1.7 million one-way rides for the elderly and nearly 750,000 contacts for advice and assistance. Through the congregate housing program, the State subsidized 37 housing projects for the elderly and budgeted money to nearly double this number, while the Task Force on Housing Options for Senior Citizens was established to find some solution for the 54 percent of the elderly who are house-rich but cash-poor.

This illustrates the problem that

is inherent in providing services to the elderly. Almost every program limits who is eligible and inevitably some deserving people cannot qualify yet need the help. These programs tend to serve the frailest of the elderly and leave the more independent to fend for themselves. Frequently, they must choose to bear their infirmities alone or enter an expensive nursing home. It is a choice that need not be made.

I believe that we should try a relatively new concept called the Volunteer Service Credit Exchange program suggested by Commissioner Drew Altman. Elderly New Jerseyans, their friends or relatives would provide care and services to other needy New Jerseyans. We believe that this would save many disabled or ill New Jerseyans from having to move to a nursing home. Each service volunteered would become a credit earned, and would entitle that person or a designated relative to services from other volunteers. We will test this program at four sites and see if we are able to match people who can help each other, and prevent a disruption in their lives that no one wants. When Grandma Moses was asked at 93 what she was proudest of, she replied, "I've helped some people." That is the spirit that we want to see replicated.

As we grow old, our ability to be rugged individualists ebbs as surely as our ability to sprint a 40-yard dash. We need help from others, and our Gatekeeper program provides additional assistance to the elderly. After the mailman, no outsider probably sees as many elderly in the homes on a daily basis as the meter readers from the utility companies. Begun last year, the Gatekeeper program trains these meter readers to be alert to elderly people who look like they need help. If they see someone who looks like she is in trouble, the reader alerts the county aging offices so someone can go to her aid.

One Public Service Electric &



Gas meter reader, for example, probably saved the life of an elderly, blind Westfield man last year. When the meter reader came to the house one Friday afternoon, he noticed that it was colder inside than it was out. The blind man had just come back from the hospital and because of an electrical problem was afraid to turn on the natural gas heating system.

The meter reader called his boss, who called the local aging office. Within hours, they had an electrician making the house's electrical system safe. And when the blind man awoke Saturday morning, he stepped from his bed into a warm, well-heated bedroom.

### PLUS ULTRA

The Volunteer Service Credit Exchange suggests a way to deal with the changes our society is experiencing. Look closely and it re-

sembles the kind of arrangements our great-great grandparents might have made with their neighbors to care for friends who were ill. The past 100 years have pulled apart that sort of close-woven relationship, but we are rediscovering that to care for others we must reinvent the wheel. We are indeed moving back to the future.

Our forefathers and mothers knew the dangers of living alone and apart. Danger lurked just beyond the clearing or past the light thrown by the campfire. They knew as they looked out at a New World that in the words of John Winthrop, the Puritan leader, "Now the only way to avoid this shipwreck and provide for our posterity—we must be knit together as one man, we must entertain for one another brotherly affection ... we must uphold a familiar commerce together ... we must delight in each

other, make others' conditions our own, rejoice together, mourn together, labor and suffer together."

More than three hundred years have passed since Winthrop spoke to his fellow passengers on the Arbella, but the danger still lurks, though our campfires throw far brighter light. We are competing in an unfriendly world, in a fierce fight for economic survival. In a fight like this it would be easy to lose sight of our responsibilities at home.

We will not do that. As the Latin "Plus Ultra" suggests, there is more beyond what we survey today. New Jersey will always take care of its sprawling family, the weak and ill as surely the strong and well.





## HOUSING AND COMMUNITY DEVELOPMENT

**L**ast year the federal government brought the hatchet down on Revenue Sharing and cities all across America hollered "Ouch." Communities in New Jersey alone lost \$67 million. Many of our strapped urban centers were pushed to the brink. Their already overtaxed citizens faced increases in property taxes—or decreases in municipal services.

As the tension mounted, mayors around the state started to act. Art Holland of Trenton sent layoff notices to all 1,500 Trenton employees. Paul Monacelli of Orange informed police and firefighters they might soon be out of a job.

In the midst of unprecedented prosperity, New Jersey faced urban problems. In cities in 48 other states, services were cut and taxes were raised. I am proud to say that in New Jersey we acted to help our cities. After considering numerous proposals, you passed and I signed legislation

sponsored by Senator Chris Jackman and former Assemblyman Jose Arango to keep our cities' financially stable.

Like several other states, we started a tax amnesty program to collect back taxes. Unlike most other states, we did not simply add the money to the state treasury. Instead, we specifically dedicated the first \$50 million raised to our cities through the Distressed Cities program. No other state made such an effort to replace federal funds.

Distressed Cities poured nearly \$20 million into our most troubled cities in fiscal year 1987. We added to that by providing a total of \$62 million to hire extra police and firefighters. On top of that, tax amnesty meant we could offer our troubled municipalities another \$70 million in aid in fiscal year 1988—enough to help those cities adjust to the federal cutbacks.



That money meant a lot to the residents of New Jersey's cities. For school children it meant crossing guards would be there to see them safely across the street. For homeowners it meant additional pennies, not dollars, on their tax rate. And for all citizens it meant the security of knowing that the police officer was on the beat and the firefighter was in the firehouse ready to respond to calls for help.

The money that we authorized has been spent wisely. Distressed Cities has proved to be one of the fairest urban aid programs ever administered. We made sure that funds are distributed to communities by need, not size or political clout. A smaller city like East Orange received the most money because its people faced the greatest hardship. Larger cities like Newark and Jersey City received less because they are in financially better shape.

Distressed Cities has brought true reform to many city halls. Along with state aid have come state accountants who look over the books and show city managers how to do a better job. In some instances, we found a city's finances to be so jumbled that we actually became the city's tax collector to straighten things out. By taking over Jersey City's tax collection, we saved city residents millions of dollars and held down their tax rates.

Best of all, Distressed Cities has ensured that not one police officer or firefighter in our cities was fired. Any community that accepted Distressed Cities money had to promise to keep its public safety contingents intact. Because of our efforts, New Jersey's city streets are a lot safer today than they might have been.

Distressed Cities accomplished what it set out to do—remove our cities from the brink of disaster and bring needed management expertise to our city budgets. We should continue this kind of support.

But if the economy starts to

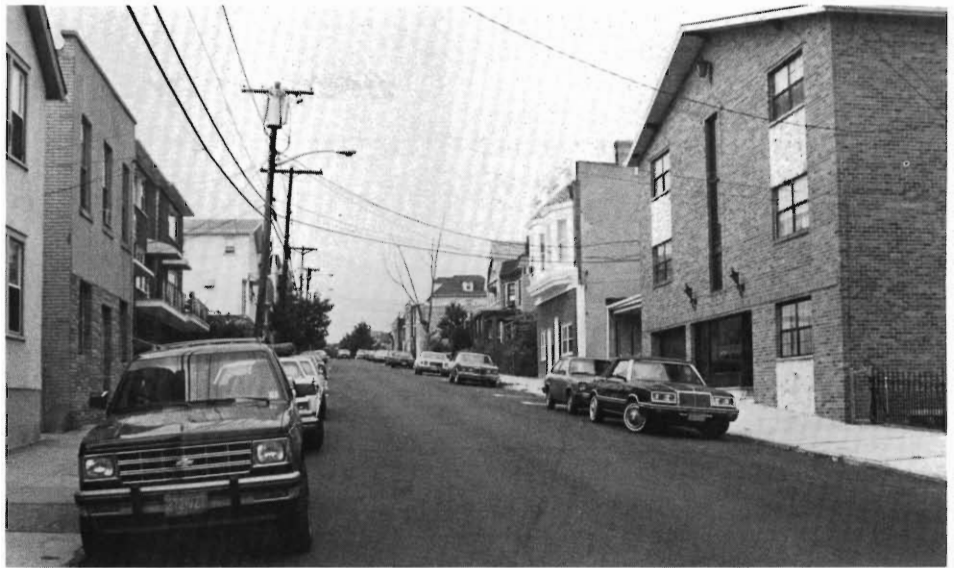


slow, as some experts warn, state money will be tight and there is no way we will be able to maintain the current level of support from the state budget. Ironically, these reductions in state aid would occur at the time when cities are least able to afford them.

Therefore, I hope in the coming year to work with you to explore ways to help New Jersey's cities by setting aside a permanent source of revenue that will not be subject to the vagaries of annual budgeting.

A permanent Distressed Cities fund would help our cities over the next five to ten years. But even a permanent fund is really a short term approach to the problem. Our ultimate goal must be to make the cities self-sufficient again. The only way to do this is to attract a sturdy foundation of business and development. There are clear indications this is beginning to happen.

As we begin 1988, each one of our major cities is reporting good news. Downtown Newark is being reborn into a center for business, academia and the arts. Jersey City's waterfront has become the Gold Coast. The old mill towns of Paterson and Elizabeth are seeing new industry spring to life. Trenton is becoming a mecca for urban office development. And Camden is



planning a waterfront revival that might earn it the nickname "The Silver Coast."

If we continue to support city government, and if we can move forward on our programs to attract jobs, improve education and build city housing, we can end the 1990's with vibrant cities up and down the state.

We have a ways to go to reach this goal. But I believe that working together we can ease our urban troubles and restore our cities to their former glory.

### A ROOF OVERHEAD

Our first goal will be to tackle one of this state's most urgent problems—the lack of affordable housing, especially in our urban areas. Federal policies have hurt housing in our cities. Federal funds to build affordable housing are drying up. What is more, tax reform ended the tax shelters that investors used to shelter income. Developers used these shelters to build affordable housing. The investor lost the tax shelter; we lost the real shelter. It is time for government and the private sector to come together to make sure all New Jerseyans have a place to live.

These are boom times for the housing industry. If you bought a house in 1983, it is probably worth

double what you paid for it. If you got your real estate license in 1983, you are probably driving an expensive car and planning a Caribbean vacation. The housing market in New Jersey is even outstripping other aspects of our incredible growth. For instance, housing costs in New Jersey rose 25 percent faster than incomes last year.

But the housing boom has a dark underside. Many young families are priced out of the market and despair of ever affording a starter home. In December the average price of a newly constructed one-family home in New Jersey rose to \$183,000. In Essex County it was \$280,000. In Bergen County it was \$345,000.

Many people have simply resigned themselves to renting for a longer period of time. But rental apartments seem like they are going the way of the trolley and the nickel cigar. Virtually no affordable rental units were constructed in New Jersey last year. And many of the buildings that housed renters for generations are being turned into condominiums.

We must make sure that affordable housing—both to buy and to rent—does not disappear in New Jersey. Affordable housing is in New Jersey's vital interest. Indeed, our efforts to take on the world will falter without decent places for our workers to live.

*That money meant a lot to the residents of New Jersey's cities. For school children it meant crossing guards would be there to see them safely across the street. For homeowners it meant additional pennies, not dollars, on their tax rate. And for all citizens it meant the security of knowing that the police officer was on the beat and the firefighter was in the firehouse ready to respond to calls for help.*

Nowhere is the need for affordable housing greater than in our cities, and no place offers more potential for its construction. Some of our cities have acres of vacant land to build upon. And, unlike outlying areas, cities also have the infrastructure in place to handle new residents.

Some developers are taking advantage of city amenities by turning units into condominiums. Condos are a sign of economic revitalization for our cities, and, in some ways, they offer hope for people of modest means to own their own homes. But their growth poses problems for some low- and moderate-income tenants. A recent study in Jersey City showed that a typical apartment that rents for \$375 a month can be sold as a condo for, on average, \$101,000. A family making \$15,000 a year can afford the rental. But it takes a family making \$51,000 a year to afford the condo.

Our booming economy is no excuse to allow people of modest incomes to be thrown out of their homes. That is why last year I signed amendments to The Elderly and Protected Tenancy Act, sponsored by former Assemblyman Charles Catrillo and Senator Tom Cowan. The law protects most elderly and disabled tenants from eviction when their building goes condo. It says that they can only be evicted if they earn more than three times the county's per capita income, or \$50,000, whichever is higher. I hope this change will keep more elderly and disabled tenants, particularly in Hudson County, in their homes.

Keeping city tenants in their homes is one part of our housing strategy. But an even larger part is building new housing for people who need it.

The Mt. Laurel II decision created a constitutional obligation for our suburban communities to make the construction of affordable housing possible. In response, you created the *Fair*



*Housing Act of 1985.* Among other things, the Fair Housing Act created Regional Contribution Agreements (RCA's) which allowed suburban communities to meet half their affordable housing requirements by subsidizing in urban areas. These RCA's mean that cities and suburbs can work together to rebuild our urban neighborhoods.

We are already seeing RCA's work in Newark's Central Ward. Twenty years ago one of this nation's most brutal riots scorched the Central Ward and destroyed much of its housing stock. For two decades private developers laughed at the idea of building there. But now the Central Ward is seeing hundreds of new, private housing units being planned—thanks in part to Regional Contribution Agreements the city is signing with the suburbs.

RCA's mean that builders can offer buyers below-market rates on new construction—rates that low to moderate income people can afford. But only some of the beautiful condominium townhouses in the Central Ward will be subsidized by a Regional Contribution Agreement. The rest will sell at the market rate, providing a healthy mix of

people and a vital neighborhood close to Newark's business district.

Newark's promise of RCA's and cheaper land has already lured New Jersey's top suburban builder, K. Hovnanian. Other builders are following. In the years ahead the pattern will repeat itself in all New Jersey cities.

***But the housing boom has a dark underside. Many young families are priced out of the market and despair of ever affording a starter home.***

In addition to RCA's, we have another established tool to make housing affordable in New Jersey—the Housing Mortgage Finance Agency (HMFA). HMFA is the largest provider of mortgages to low- to moderate-income residents statewide. By selling tax exempt bonds, HMFA can offer mortgages at about 2.5 percentage points below the going rate. In fiscal year 1987, 442 first-time and urban home buyers took advantage of this program.

HMFA targets 41 urban com-



munities for its home mortgages. Activity last year was brisk. In the first six months of 1987, nearly 60 percent of HMFA mortgage funds were made to urban buyers.

Last June HMFA started another program to revitalize cities. Its Buy-It-And-Fix-It program lets ambitious home buyers purchase and rehabilitate deteriorated housing with one loan, eliminating the need to get a second construction loan. This program can help rehabilitate entire city neighborhoods, putting glass back in the windows and hope back in residents' hearts.

HMFA is also moving into a new role as developer. With its new Housing Assistance Corporation (HAC), HMFA can work with other developers or alone to bring a project from drawing board to concrete. Right now HAC is planning to build a senior citizen development in Highland Park and rehabilitate a housing project in Camden.

The state's biggest commitment to affordable housing, both to own and to rent, is the Neighborhood Preservation Balanced Housing Program. We have committed more money to this one program in the last two years—nearly \$40 million—than all other housing programs combined in the past decade.

Funds come from the Realty Transfer Tax that homeowners pay when they transfer title to their home. In effect, New Jersey's booming single-family housing market is helping build more rental and condo units in the cities.

The program works like this. The state subsidizes the cost of construction or rehabilitation of an apartment building. In turn the developer agrees to retain a percentage of the building's units for affordable housing. To date, 3,000 units statewide are either completed or planned.

On Jersey City's once-prosperous Bergen Avenue, for example, three brick apartment buildings lay boarded up for more than a decade. Today those buildings with their marble interiors are being turned into homes for 38 families because of the balanced housing program.

These efforts are making progress, but the state cannot go it alone. Both the public and the private sectors have an interest in creating affordable housing in New Jersey. And all of us have to work together to make it a reality. Later this year we will initiate a bold new approach to finance affordable housing statewide—the Statewide

Housing Partnership. Thus fund will make \$100 million available to build the housing we need.

The key word here is "partnership." The great banking and insurance institutions of New Jersey and state government must become partners to make the program work. It will be modeled after the highly successful Newark Partnership. The State will make available \$10 million from the Balanced Housing Program for the partnership. In turn, the banks and insurance companies will put \$90 million into a loan fund.

Builders would then apply for loans to build urban housing—for instance, affordably priced condominiums in Paterson. Normally, financial institutions might not make such a loan. But because the risk is shared and the money pooled, they will be willing to go ahead. The loans will largely be for construction. Later, when the work is completed, buyers can purchase their new homes with low-interest mortgages from the HMFA.

Using these loans and other incentives, we can create thousands of new affordable housing units in just the first few years of the Partnership's existence.

In the coming year we will use



funds from the Statewide Housing Partnership and the Balanced Housing fund to lure private developers back to the city. The pilot program is called the Demonstration Rental Production Project. In essence, we make developers an offer they cannot refuse.

Cities will provide the land. The State will provide subsidies so a certain percentage of the units can be kept below market rates. The Statewide Housing Partnership will provide financing. Then we ask private developers to submit proposals to build rental housing that mixes affordable units with units at the market rate.

We believe a mix of people is the best way to strengthen a neighborhood. Stores spring up when people can afford to purchase goods there. Other developers are attracted to a neighborhood that shows signs of health. Projects like this can succeed in restoring a neighborhood's vitality.

We will begin the Demonstration Rental Project this year in three cities desperately in need of affordable housing.

When private developers stopped building in the cities, some community-based, non-profit organizations tried their hands at developing. The Jersey City buildings I mentioned in our Balanced Hous-

ing program, are being rehabilitated by a non-profit organization affiliated with the Jersey City YWCA. Other non-profit organizations like La Casa de Don Pedro in Newark and Better Community Housing of Trenton have successfully joined the construction trade. The State must do more to help non-profit organizations rebuild their communities.

As with our business exports, I want to create a strategy to make New Jersey number one in non-profit housing development. I propose that we offer grants to a number of community-based, non-profit organizations, through the Department of Community Affairs' (DCA) Office of Housing Advocacy. I also propose we expand the Office of Housing Advocacy to give these groups all the technical assistance they need.

Further, I have directed the Office of Housing Advocacy to begin training courses at Rutgers University to teach members of non-profit organizations how to become housing developers. This could be the first step to creating a Community Development Institute. With a relatively small financial investment, the state can help these non-profit organizations create hundreds of affordable housing units.

Builders would be more interested in building housing if they did not have to do so much paperwork. It is estimated that the costs of building affordable housing would decrease 20 to 25 percent if we cut the duplication in regulations. DCA Commissioner Len Coleman has appointed a task force to see how we can cut the red tape without sacrificing environmental quality or safety. I look forward to that report.

Finally, I also want Commissioner Coleman and his staff to investigate an idea, proposed by Assemblymen Bob Menendez and Dick Kamin, to create housing enterprise zones in our inner cities modeled after our highly successful urban enterprise zones for businesses.

I have just outlined a full scale program to encourage development

***Affordable housing is in New Jersey's vital interest. Indeed, our efforts to take on the world will falter without decent places for our workers to live.***

of affordable private housing in our cities. We must also encourage improvements to our stock of public housing.

The best way to do that is to give tenants more control over the management of their buildings.

The tenants at Camden's Branch Village Public Housing Project were sick of dope pushers hanging around their buildings and tired of the graffiti sprayed on their walls. They turned to Bertha Gilkey for help.

Bertha Gilkey has been featured on CBS' "Sixty Minutes" as someone who can turn housing projects around. Her method is to put power into the hands of the residents. As a tenant herself she helped turn the Cochran Housing Project in St.

Louis—nicknamed “Little ‘Nam” for its incessant violence—into one of the nation’s model housing projects.

The Camden tenant leaders learned from Bertha Gilkey. They created a management corporation that helped screen tenants, cut down on vandalism and made tenants more responsible for their apartments. They created a crime watch program to make the buildings safer. Now the word about Bertha Gilkey’s methods is spreading to other housing projects in Camden. I think it should spread statewide.

I am directing the state Division on Women, which has sponsored the Camden program from the beginning, to look beyond Camden. We must help the Branch Village residents teach public housing residents all over New Jersey how

*In the coming year we will use funds from the Statewide Housing Partnership and the Balanced Housing fund to lure private developers back to the city.*

to lead a better life. I also want to encourage local public housing authorities to apply to our Balanced Housing Program so they can fix up the units they currently run. After all, it is not only our responsibility to provide affordable housing, but liveable housing as well.

### THE HOMELESS

Rising housing costs and fewer rentals mean that a growing number of people have nowhere to live. Like chaff from wheat, they are being separated from the successful in our society and scattered by the wind. Some have estimated that more than 25,000 New Jerseyans are homeless today, living in



doorways, car frames, motels and temporary shelters. Contrary to popular perception, these are not shiftless vagabonds. Eighty percent of the homeless are families down on their luck.

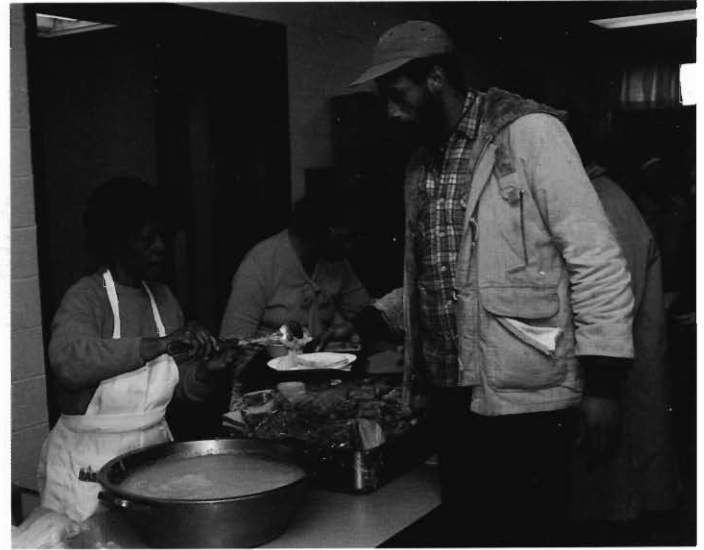
The permanent answer to homelessness is affordable housing. But our homeless cannot wait for zoning approvals, bulldozers and concrete mixers. We must meet their needs today.

Last year we dramatically expanded our programs to aid the

homeless. This year I am again calling for a major expansion of programs to help those on the street, and those whose homes are threatened.

First, I want to thank the members of our congressional delegation who supported the McKinney Act last July. We have already received \$7 million in funding for homeless programs through this important piece of federal legislation and we expect to receive millions more. This will go a long





way toward relieving the suffering of homeless people in our state.

The most important thing we can do is stop homelessness before it starts. Once a family loses its home, it becomes difficult, if not impossible, to rise from poverty. They can become permanent wards of the state, or, worse, drift into a nether world where all identity is lost. When a family loses its financial balance the state has a duty to make sure the safety net is waiting.

Last year in Passaic County an elderly couple faced tough times. The husband became paralyzed after he was mugged. The wife had to quit her job to care for him. The couple was soon forced to sell their home to pay the medical bills. Their income could not cover the rent and they were evicted. At their advanced age, a life on the street would be especially cruel.

The safety net caught them. Our Homeless Prevention Program in the Department of Community Affairs found an apartment for the couple, paid the security deposit and placed them in the federally-funded housing voucher program for long term rental assistance. The couple no longer fears being out on the street.

As you can see, the fall from the financial high wire can come quite suddenly. A young woman I will call Jane was leading a fairly normal

life. Married, she lived with her husband and son in Trenton. Both she and her husband worked at low-paying jobs, earning enough for their small apartment.

Her husband, however, had a drug problem. He was arrested and sent to jail. Even though Jane continued to work, she could no longer afford the apartment. She and her son were evicted. For a while they stayed at her in-laws, but room was tight and fierce arguments broke out. Threatened with violence, Jane fled, bringing her young child with her. Once outside in the frigid

*When a family loses its financial balance the state has a duty to make sure the safety net is waiting.*

night air she realized she had little money and no place to stay. She was at the mercy of the street.

Again the safety net did not fail. Jane called the Mercer County welfare board and immediately received money from the state Emergency Assistance Program. Instead of an all-night diner or a cold hallway, Jane got a room in a motel. Jane was placed on welfare

and within a month she found an apartment. Most important, she and her son were never separated.

Last year the homeless prevention program helped 2,700 families. The Emergency Assistance program aided 5,000 New Jerseyans. But both programs had to turn people away. This year we must expand both programs to help those in danger of falling through the safety net.

We must also continue the Comprehensive Emergency Assistance System (CEAS) in the Department of Human Services. CEAS gives money to homeless shelters, soup kitchens and hotlines. Because of CEAS and other funding, the Trenton Soup kitchen can feed up to 400 people a day. In all, CEAS helps 54 shelters statewide, with that number expected to increase to 66 next year.

Our real goal is to find permanent shelter for homeless people. Our commissioners of Human Services and Community Affairs are working together to improve services and facilities for the homeless. A pilot project DCA and Human Services are creating in East Orange is the direction in which we should be heading. We are rehabilitating an abandoned building with HMFA loans. Three-quarters of the units will be for low-income residents. The rest will be for "transitional" housing—to give

homeless families a place to stay. For five months they will be allowed to stay at the "transitional" home, while a live-in counselor helps the family find a permanent place to live and perhaps get job training.

Another Human Services pilot project with great potential is the Benefits Outreach Program in Jersey City. The State works with hospitals, homeless shelters, the Port Authority, the Social Security Administration and the city to make sure homeless people get all the benefits to which they are entitled. A computer tracks the homeless person and makes sure he shows up for meetings with caseworkers and employment counselors. We do everything possible to see that the person does not slip again through the safety net.

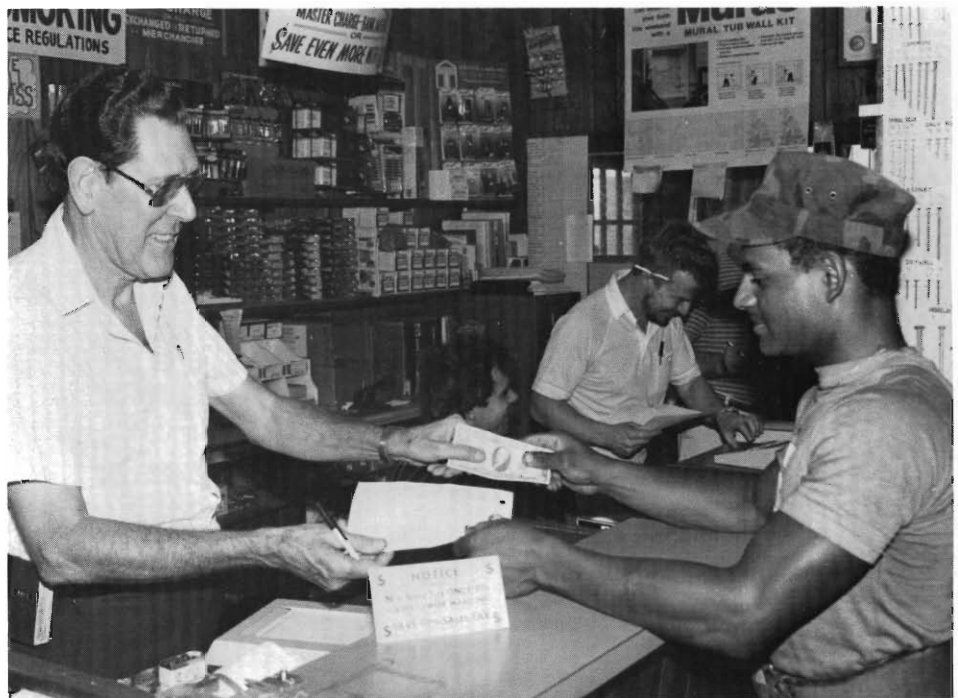
#### URBAN DEVELOPMENT

Cities are the center of civilization. For thousands of years people have come there to learn, to trade, and to meet. We cannot continue as a healthy people without healthy cities.

I believe health means self-sufficiency. I look forward to the day when you vote to end the Distressed Cities program because our cities no longer have a need for it.

Creating decent, affordable housing is one step in bringing our cities back to life. Another is attracting and keeping private businesses in our downtowns. Over the past six years New Jersey has offered some of this nation's most successful programs for stimulating private investment and creating permanent jobs.

The Economic Development Agency (EDA) is a prime example. Since 1982, EDA has offered loans to help more than 1,000 businesses locate or expand in our urban areas. That translates into 29,000 permanent jobs and more than \$2 billion in private investment. EDA has taken old abandoned factories like the Singer building in Elizabeth and retrofitted them for the today's light industrial companies. This year EDA will join with Camden, Campbell Soup and the



Cooper's Ferry Development Corporation to redesign the Camden Waterfront.

Another successful stimulus to economic growth has been the Local Development Financing Fund (LDFF). LDFF helps cities by backing city businesses. For every dollar loaned by LDFF in 1987, private companies invested nine dollars in local economies. In Passaic, Corporate Knitting Inc. took a half million dollar LDFF loan and bought state-of-the-art textile equipment. That allowed the plant to go to three shifts and create 75 more jobs. Thanks to LDFF, a traditional manufacturing business like Corporate Knitting Inc. is stepping up production, not stepping off into another state or nation.

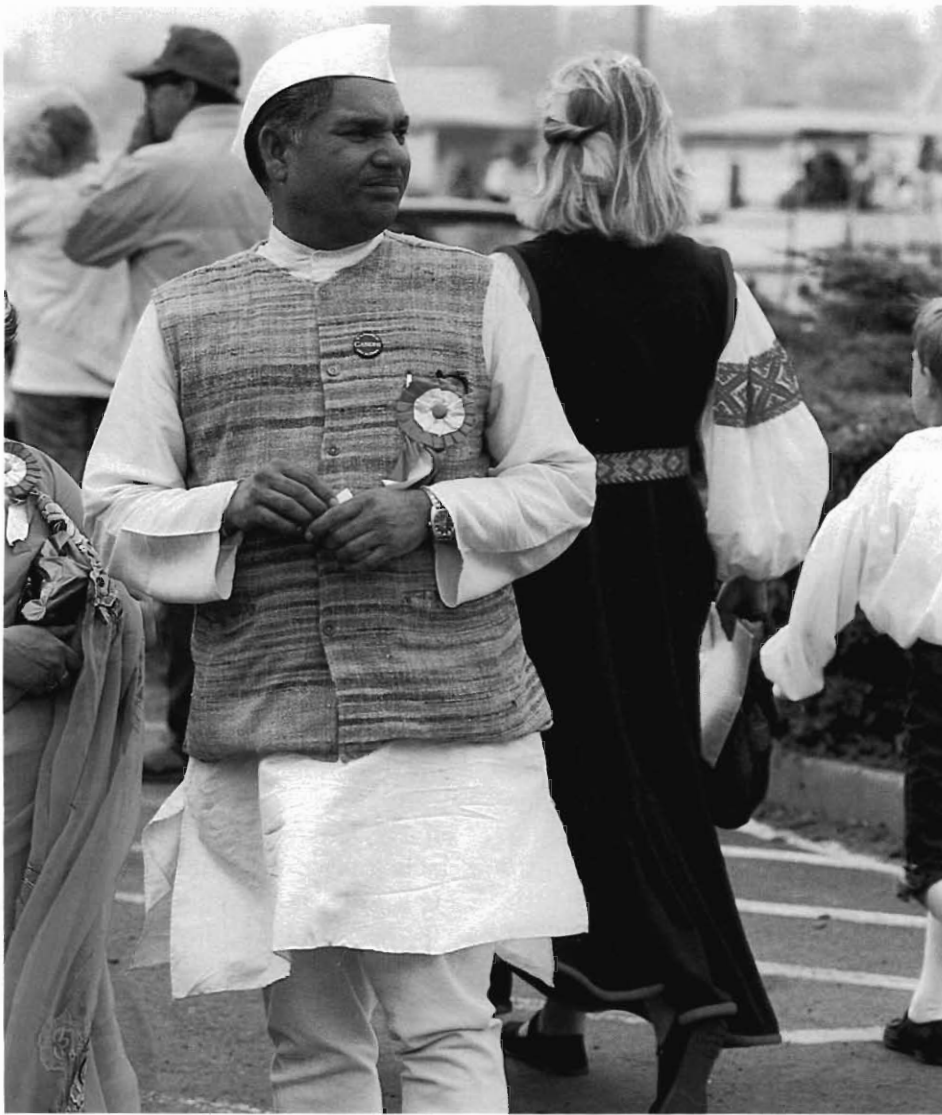
One of our most successful and highly publicized economic tools has been our Urban Enterprise Zone program. Since we created urban enterprise zones in late 1984, they have attracted \$1.2 billion in investment to depressed areas in ten cities. The enterprise zones should create approximately 23,000 jobs within two years. Businesses find a number of advantages in relocating to urban enterprise zones. For one thing, they earn tax credits when they

hire unemployed city workers. For another, retail businesses get to charge customers half the state sales tax—only three percent instead of six. People come from Pennsylvania to buy wood at a Trenton lumber store just to get the discount.

Customers are not the only ones heading for our enterprise zones. Businesses from out of state are pulling up stakes and heading there, too. For instance, J.E. Breneman is a marine construction contractor in Philadelphia. The firm reconstructed every pier on Philadelphia's waterfront and has done major jobs from Boston to Baltimore. Now the company has moved all 70 employees to Camden to take advantage of our tax incentives. That means \$4.3 million in tax rateables for the city of Camden.

Newly arrived businesses are only half the story. The other benefit of urban enterprise zones is that they have convinced countless businesses to remain in the city. It is good to know that businesses that stuck out the hard times are now reaping tax advantages and helping our cities make a comeback.

The urban enterprise zones and



our loan programs have spurred billions in development and won national and international interest. Now new vehicles to help the cities come alive are ready for action. The Urban Development Corporation is now prepared to make \$30 million in loans to worthwhile urban ventures.

One way to qualify for such a loan is to become a Neighborhood Development Corporation. Neighborhood Development Corporations are just that—a way for local people to form a business partnership with the goal of improving their neighborhood.

Newark's New Community Corporation, which owns about \$130 million in housing and other developments, proves the idea can work. After the assassination of Reverend Martin Luther King, Jr.

*Contributing to the arts is one of the best investments we can make in our communities.*



in 1968, suburban whites and urban blacks came to Newark to march for peace. They decided to form a partnership to improve the devastated Central Ward. That partnership led to a fundraising effort by the New Jersey Junior Chamber of Commerce. The "Jay-Cee's" and others sold "honorary shares" in the New Community Corporation for \$5 each. More than \$100,000 was raised in Newark and 17 suburban towns. The money was used to buy two acres of land in the Central Ward for a housing development. The land provided the leverage for the corporation to obtain a \$4.8 million mortgage to construct six ten-story apartment buildings.

To make a long story short, New Community Corporation is now the largest non-profit housing corporation in New Jersey. It also runs a restaurant, three day-care centers, a credit union and has plans

for an ice cream distribution warehouse.

The same principle would work with our Neighborhood Development Corporations, only this time on a for-profit basis for the shareholders. Local residents could set a goal, form an organization, raise capital and see these projects through. The important thing is that local people would be investing in themselves and building their community at the same time.

Another exciting new urban redevelopment idea is ready to take shape. The first small business incubator has applied to be funded through our Urban Development Corporation. The plan works like this. We nurture fledgling urban businesses with below market rents, shared secretarial services and managerial advice. Our goal is to help these entrepreneurs survive the tough first year of existence and expand. Studies show that when these businesses leave the protective warmth of the incubator they stay local where their business contacts are. We believe these businesses will be a significant addition to our cities' rebirth.

Each city is different. And the State has a unique strategy in each of our cities to bring it back to life. In Jersey City we are expediting waterfront development. I maintain a waterfront development office, a Waterfront Advisory Committee and a Cabinet Task Force to move development along. We are also planning an essential light rail system to move the people along.

In Camden we are also in the waterfront development business. Last December I signed legislation, sponsored by Assemblymen John Rocco and Tom Shusted, former Assemblyman Joe Chinnici and Senator Walter Rand, to allow the state to build a \$42 million aquarium on the Camden waterfront. The aquarium will be the centerpiece of a \$175 million, 90-acre redevelopment project. Our commitment convinced Campbell Soup and RCA, Camden's two biggest private employers, to stay in



the city and help see this project to a successful conclusion. Waterfront development will add at least 4,000 new jobs and completely change Camden's image, which has suffered over the past three decades.

In Trenton we are stimulating construction of a whole generation of new office buildings. Last year we announced plans to lease more than half a million square feet in new office space. I also signed legislation, sponsored by Senator Gerry Stockman, to establish a \$5 million Trenton Redevelopment Corporation for other capital projects immediately around the statehouse.

Finally, last year I announced that we had selected Newark as the site of a world-class arts center. The center, designed by world-renowned architect Carl Shaver, would be a fitting home for the New Jersey Symphony and the New Jersey Ballet and a stop for the nation's most prestigious touring companies. It would link Newark's business area with its universities

and the Newark Museum and would create one of America's most compelling urban centers.

Along with building the center in Newark, Mr. Shaver recommended providing \$100 million for regional arts centers across the state. In the coming months, a group of prominent New Jersey business and art leaders will evaluate the Shaver proposal. I look forward to their recommendations. I believe an arts center can be the jewel in Newark's crown.

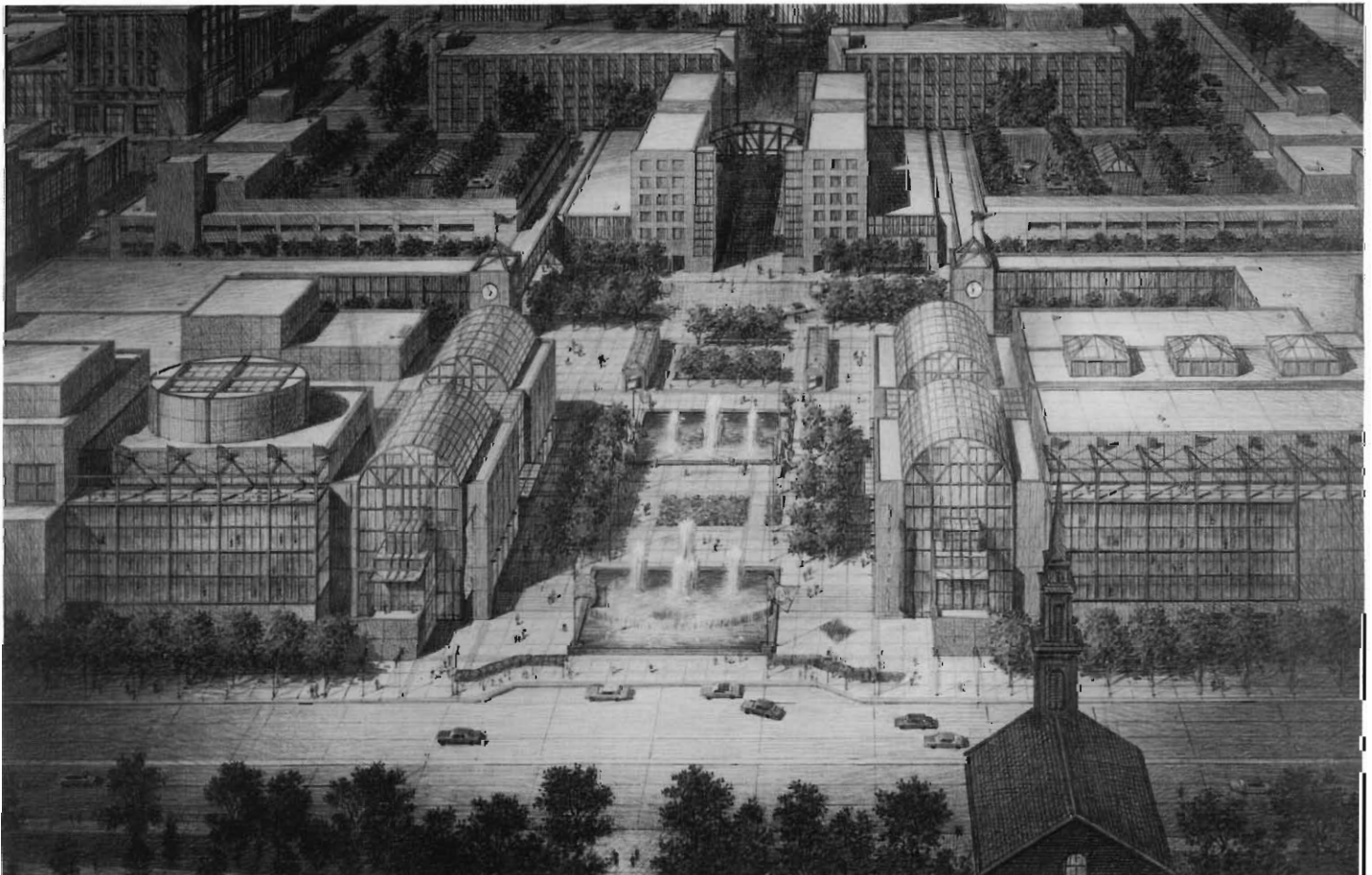
I have found that contributing to the arts is one of the best investments we can make in our communities. For every dollar invested in the arts, close to four dollars are generated in the local community.

I take pride in increasing state funding for the arts by 700 percent since I took office. That money is creating a theater complex in New Brunswick, New Jersey Symphony performances in Elizabeth and a drama festival on the Jersey City waterfront. All of these happenings

are helping to bring our cities back to life.

I'm proud of what we have for our cities. Last summer, the Corporation for Enterprise Development (CED) ranked New Jersey seventh in the country for state government efforts to improve the business climate. The CED gave us an "A" for programs to rebuild the cities. The CED knows, as I do, that states with strong suburbs and weak cities will not be able to compete in the new world economy.

I am convinced New Jersey's cities are on the eve of a renaissance. The investments we have made over the past six years—in housing, economic development and the arts—are beginning to bear fruit. We are already seeing our cities' 300-year-old streets springing to life. It will not be long before they are in full flower.





## TRANSPORTATION

**I**t is easy being a salesman for New Jersey. When I meet business people from other states or around the world, I have no problem getting them interested in moving here. I simply point to our location, our workforce and our transportation network.

Transportation was not always a New Jersey selling point. Think back to the days before we engineered the Transportation Trust Fund. Our roadways were crumbling, our bridges dangerous. Motorists couldn't get from here to there without bothersome detours.

Roads once designed to help our economy were strangling it. We sunk to double-digit unemployment as our industries fled south. We watched as many of our most talented people followed close behind.

State government was doing little to finish the roads and eliminate the bottlenecks. Millions in

federal highway funds went begging because we refused to put up our 10 percent to attract the federal government's 90 percent.

The Transportation Trust Fund changed all that. In fact, I date the birth of New Jersey's Renaissance to the night you passed Trust Fund I.

In the last four years we have poured more than \$3 billion into paving our roads and bridges and rebuilding our mass transit system. We made up for the sins of our past omission. We completed the missing link of Route 78 through environmentally sensitive Watchung Reservation. We replaced the Route 130 bridge over Rancocas Creek in Burlington County where several people had been killed or injured.

We freed up traffic in Eatontown, Lodi and Linden by cutting through traffic circles that should have disappeared with the Model T. And we rehabilitated bridges on I-80 in Passaic County

and I-78 in Warren County.

The achievements have continued. In the past year we replaced Laurelton Circle in Brick Township with an intersection, making life simpler and safer for thousands of shore motorists. We took a major step in completing the Trenton complex by linking I-195 to I-295. We relieved some of the congestion on Route 1 by finishing the Quakerbridge Road overpass in Mercer County. And we made progress on I-287 in North Jersey and Route 55 in South Jersey.

It is undeniable that the Transportation Trust Fund has been a boon to our economy. Our new roads and bridges have attracted a myriad of high tech and business service firms to our suburban areas. But "infrastructure" is not only a difficult word to say, it is a difficult thing to maintain.

Last July I received a letter from a woman in Lancaster, Pennsylvania. "I just returned from a trip to New Jersey," she wrote. "Mainly Cape May and the Ocean City area. The beaches were wonderful. The highways, however, are disgraceful."

"Route 47 South is like riding over a washboard, and many roads looked like patching materials were just thrown on the surface and left there in lumps."

"Your TV promotions to bring people to New Jersey are very appealing. If your highways were more pleasant to travel on, I would be anxious to come back."



This letter touched a nerve. I knew the condition of Route 47 in Cape May County. I also knew that my Department of Transportation was ready to do a whole makeover of the road, from widening and resurfacing, to improving bridges and drainage.

Unfortunately, a month earlier you chose not to increase the motor

fuel tax to continue funding the Transportation Trust Fund. The postponement of Trust Fund II put on hold hundreds of highway projects around the state, including Route 47 and more than 20 others ready for construction.

The projects ranged from \$150,000 worth of drainage improvements on Route 49 in Pennsylvania to \$17 million for improvements on Route 17 in Bergen County.

Instead, you passed a one-year extension of the Trust Fund from general revenues. I signed the bill, but said at the time this is the wrong way to complete our roads, bridges and mass transit.

You see, road construction is a tricky business. Highways take a long time to complete. The work involves years, not months. Funding highway projects year to year is a prescription for building roads to nowhere.

New Jersey needs a stable, predictable source of funding to complete our roads and bridges. So far the only plan that offers us this stability is increasing the state motor fuels tax.



As I write, the Assembly has passed legislation, sponsored by Assemblyman Robert Franks, to renew the Trust Fund by increasing the tax on gasoline and diesel fuel. The Senate has offered its own version, and I am hopeful that by this point you have sent a compromise bill to my desk.

But if time runs out in the 202nd legislature, I must once again make the renewal of the Transportation Trust Fund a cornerstone of my legislative agenda.

Make no mistake about it. I abhor raising taxes. But at least with a tax on fuel, motorists can see their tax dollars go to work right before their eyes.

Currently, New Jersey has the lowest motor fuels tax in the nation—eight cents. The Franks bill as amended by the State would add two and a half cents to the tax. In addition, it would dedicate another two cents from the current tax to the Transportation Trust Fund.

That increase would still leave New Jersey's motor fuels tax fourth lowest in the nation at 10.5 cents, well below the national average of 15.1 cents.



The average New Jersey driver would pay only five cents a day more. And 30 percent of the cost would be borne by out-of-state drivers who use our highway system. I think it is eminently fair that those who use our roads and bridges pay for their upkeep.

The pennies that motorists contribute will be buying millions in public works. With the new fuel tax we will be able to add \$365 million

in state funds to our infrastructure each year for at least five years. Those improvements will last for 30 years—a whole generation. The bonds that we sell will be paid off in 10 years.

There is another reason to pass Trust Fund II. A public works program of this size guarantees 21,000 construction jobs per year. That means the families of those construction workers can count on





a steady paycheck. And that is good for New Jersey's economy.

It is clear that the benefits of this plan would far outweigh the costs. With Transportation Trust Fund II we could finish important roadways like Route 24 in Morris County which has been in the planning stages for 30 years and Route 38 in Burlington County.

Without Trust Fund II we endanger our growth and prosperity. Unless we renew the Transportation Trust fund, we risk choking on our own success.

### THE OPEN ROAD?

Gordon Bishop of the Star-Ledger wrote last year, "New Jersey's economy is on a roll, but its road vehicles are not."

New Jersey's new-found popularity is creating highway sclerosis. If traffic is not New Jersey's number one problem, it is the number one topic of conversation. Workers

commiserate around the water cooler about how it takes them an hour to drive 15 miles to work. We are in danger of seeing the Long Island Expressway-ization of New Jersey.

Renewing the Transportation Trust Fund would go a long way toward freeing our overused highways. But we must go further than merely expanding and repairing our roads. We have to better plan our communities.

Today if a company wants to open a major plant or build hundreds of townhomes, all it takes is municipal approval, in most cases. There is little thought given to how these new workers and residents will affect the other towns nearby and, especially, our overloaded highway system. All that has to change.

Therefore, I am once again asking you to enact a three-bill package called "Transplan," proposed by

the Department of Transportation last year and sponsored by Assemblymen Chuck Haytaian, Bob Franks, Robert Littell, Newt Miller and Robert Shinn and Senators Walter Rand, Thomas Cowan and Francis McManimon.

I am convinced that passage of these bills will preserve our roads as highways, not parking lots.

The first bill, which amends the County Planning Act, would require that developers work out a plan with local, county and state officials before going ahead with major projects. This could head off traffic snarls that extend into surrounding towns.

The second bill would allow counties to designate high growth areas and set up a fund to pay for transportation improvements. Government, developers and anyone who benefits from the new roads would contribute to the fund. This could eliminate some of the congestion we are seeing on roads like Route 1 and Route 73.

The third bill would help us keep traffic moving by letting us control access to our roads according to the land use function of the highway. For example, if a series of stores requested access to a state highway, we could require them to combine driveways, limiting entrances to the road.

*We are in danger of seeing the Long Island Expressway-ization of New Jersey.*

When people ask why are we sitting in traffic, the answer is we do not have the tools right now to do things differently. Transplan is a brand new set of tools, one we desperately need.

Another tool is just as necessary. Under state law the Commissioner of Transportation is required to publish a master plan for transportation every five years. To do the job

right the Commissioner must be involved at the highest levels of *all* state transportation planning, including the state's authorities which are a vital part of our transportation network.

Therefore, I support legislation sponsored by Assemblyman Newt Miller and Senator Walter Rand to make the Commissioner of Transportation an ex officio member of the New Jersey Turnpike Authority, the New Jersey Highway Authority and the New Jersey Expressway Authority.

As you know, last year some controversy arose over at the Garden State Parkway. The dispute involved the construction program, the cost of that program, and who said what to whom and at what meetings about a toll increase. With the Commissioner of Transportation sitting on the toll road authorities, this situation would never have occurred.

## BUSES AND TRAINS

The Transportation Trust Fund has not merely paid for asphalt and guard rails. It has been the best vehicle we ever built to improve the state's mass transit.

New Jersey's railroads date back to the last century. By the late 1970's some commuters suspected we were still using the original



cars. Our buses were not viewed much better. It was clear we needed to make a major overhaul of our bus fleet and rail rolling stock.

The Transportation Trust Fund came to the rescue. By using \$200 million in Trust Fund money we were able to attract \$540 million more in federal and other funds. This year NJ TRANSIT expects to receive a total of \$230 million from the Trust Fund and federal funds.

The bottom line is, the Transportation Trust Fund is letting us invest nearly \$1 billion into making NJ TRANSIT the finest mass transportation system in the nation. It is one more reason we need Trust Fund renewal.

The "new" NJ TRANSIT is a comfortable way to get to work. In the last two years we have added 7,292 seats to our rail lines with 4,400 more coming by Fall 1988. Within two years we will add another 10,200 seats to meet the expected 23 percent increase in ridership by 1990.

We have not only improved the trains; we have polished up the stations as well. In August, we rededicated the historic New Brunswick Train Station after a \$3 million facelift. In October, we reopened the station at Princeton Junction after \$6.6 million in renovations. And after spending nearly

\$20 million in federal money to modernize Newark's Penn Station four years ago, we invested an additional \$11 million on security, communications and customer accommodations last year.

We are also rebuilding our fleet of buses. In the last three years we have purchased 415 new "cruiser" buses for commuters, 110 articulated buses that bend in the middle and fit dozens of extra passengers, and 120 rebuilt Flexible buses for our urban and suburban routes. Five hundred more Flexibles are on order.

These new purchases will allow NJ TRANSIT and private operators to retire hundreds of over-age buses. The average age of New Jersey buses will soon be reduced to six years, half what it was in 1979 when NJ TRANSIT was created. Since 1980 NJ TRANSIT has purchased nearly 2,300 buses with the aid of Port Authority and the federal and state government.

Commuters have noticed the improvements. Between June 1983 and June 1987, the number of people riding our rail lines jumped 40 percent. Ridership on NJ TRANSIT buses grew 10 percent, although it has declined recently. Each day 315,000 riders board a NJ TRANSIT bus or train to take them where they want to go.



Our success is already producing overcrowded conditions on some of our more popular rail lines. The Northeast Corridor Line, which runs from Trenton to New York, has become the Route 1 of rail service. If you live closer to New York than Princeton, you have a good chance of standing while reading your morning paper. That problem should improve when we add our new cars this summer.

But we expect New Jersey's high growth economy to put increasing demands on our rail lines. We have an exciting plan to meet that challenge. We aim to take New Jersey's 11 separate rail lines, which date to the 19th century, and forge them into a unified railroad for the 21st century.

This includes building new connections in Secaucus, Kearny, Montclair and the Hudson Waterfront that will link the rail lines together. When this plan is completed in the next decade at a cost of \$1.3 billion, we will have signifi-

***Our highways, our rail and bus lines and our jetport are the lynchpin of our economic prosperity.***

cantly increased the number of New Jersey commuters we bring into mid-town Manhattan. This is important because New Jerseyans who work in New York bring home \$7 billion annually to spend in the state.

But just as important will be the boost this gives to travel *within* New Jersey. Bergen County residents will be able to reach Rutgers or Trenton by rail. Passaic and Morris County riders will make easy connections to the shore. Princeton residents will have access to the Hudson Waterfront.

Our rail lines will no longer be mere appendages of New York City. They will be one system, and one more step toward establishing New Jersey's identity.



Of all the proposed rail transfers, the one in Secaucus will have the greatest impact. It will truly become the "Crossroads of New Jersey." Most state residents will be able to buy a railroad ticket to the Meadowlands. We are working to develop the Secaucus connection with Allied Junction, a subsidiary of Allied Outdoor Advertising. This is prime example of how public-private partnership can benefit the entire state.

We've received some nice compliments on our proposals. "New Jersey is going through a very thoughtful planning process," said Alfred Delli Bovi, the new head of the federal Urban Mass Transportation Administration, "one of the most effective we've seen in the country." Now it is up to us to make those plans reality. The first step will be renewing the Transportation Trust Fund.

#### **ON THE WATERFRONT**

When Emma Lazarus wrote about "teeming shores" she did not have in mind thousands of white-collar workers with leather brief cases. And yet every morning that is the reality in Hoboken, Jersey City, Fort Lee and Weehawken.

Each dawn finds 236,000 Manhattan-bound New Jerseyans jamming the Hudson River bridges

and tunnels on their way to work. By 1995, 32,000 more rush hour commuters will be trying to cross the river. And by 2005 they will be joined by another 36,000.

The Department of Transportation and the Port Authority of New York and New Jersey are working to relieve congestion at the tunnel approaches. DOT has proposed a second weekday peak-hour express lane on Route 495 for buses, vanpools and carpools. NJ TRANSIT is proposing new busways into the Lincoln Tunnel. Both DOT and NJ TRANSIT are working together to provide more park 'n' ride facilities in our growth corridors. We believe these measures will make mass transit and ridesharing more attractive to commuters sitting in their idling automobiles.

More and more New Jersey commuters are choosing mass transit, especially the PATH trains to lower and mid-town Manhattan. We are working to make their daily ride less crowded.

The Port Authority of New York and New Jersey is upgrading PATH service as part of the five-year, \$1.5 billion capital improvements program Governor Cuomo and I worked out.

The program has already been a great success. Since 1983 PATH has purchased 95 new cars and is

rehabilitating 248 others. Stations at Grove, Christopher, Ninth, 14th and 23rd have been tastefully renovated. And PATH has installed major fire fighting improvements in its 100-year-old tunnel to improve safety.

Still PATH is creaking under the weight of its commuters. Last year PATH carried 57.6 million passengers, almost double the riders from 1962. The Newark/World Trade Center route is especially stretched at rush hour.

We believe we have a solution to this problem. Over the next five years, PATH will increase the number of cars on its downtown run from seven to nine. That will mean buying 29 new cars and extending platforms at two stations.

As part of the same agreement Governor Cuomo and I worked out, the Port Authority will begin ferry service from Hoboken to Battery Park City within three years, carrying 4500 commuters per hour. That will relieve overcrowding on PATH's Hoboken service.

Other PATH capital improvements projects are in the works. The Port Authority is building new PATH stations at Exchange Place and at Pavonia, both in Jersey City, and a new repair yard in Harrison.

Today, thousands commute to jobs in Manhattan. Tomorrow thousands will work on our side of the river. New Jersey's Hudson waterfront is growing like few areas

in this nation. This incredible development could falter without the proper transportation system.

That is why we are planning an \$800 million bus and light rail system from Edgewater to the Bayonne line. It will connect all the grand developments on the Hudson River waterfront: Arcorp, Liberty Harbor, Hudson Center, Newport, Harborside, Colgate and, of course, Liberty State Park.

Last year I directed Transportation Commissioner Hazel Gluck to create a Waterfront Transit Unit in NJ TRANSIT to design and build this essential transportation system. This new unit has now completed its conceptual engineering report. We will study it closely, especially for its effect on the environment. We hope to begin preliminary engineering in two years.

### HEADIN' SOUTH

Not all the exciting developments in transportation are occurring in North Jersey. Millions of people are looking forward to the day in 1989 when rail service is finally restored to Atlantic City.

The seashore resort is already the nation's most popular tourist attraction. People come from all over the nation in buses and cars to enjoy Atlantic City's many attractions. Soon they will be able to come by rail, not just from Philadelphia, but from all over the East

Coast and indeed all over the country. Amtrak will connect Atlantic City to all its service cities. More importantly, NJ TRANSIT will offer daily commuter service from South Jersey to help residents take advantage of Atlantic County's burgeoning job market.

The \$100 million project is a joint venture of NJ Transit, Amtrak and the Atlantic County Improvement Authority.

South Jersey will continue to grow as more and more people discover its quiet life and beautiful scenery. NJ TRANSIT is studying ways to serve South Jersey's transportation needs over the next decade. I look forward to that report.

While we are building connections to Atlantic City by rail, the city and county are developing plans to make Atlantic City airport the state's second major jetport.

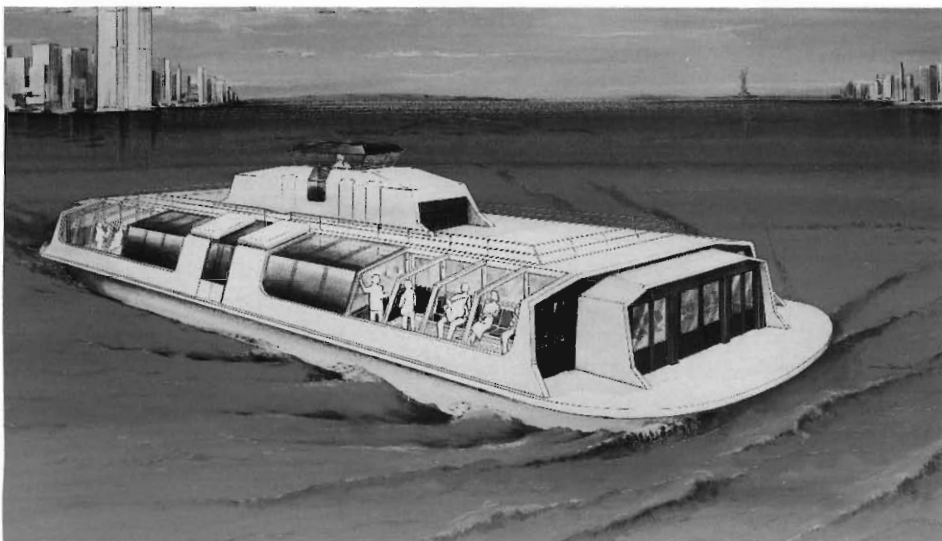
Right now only two percent of Atlantic City's visitors come in by air—a mere 342,000 passengers. But planners envision an expanded jetport attracting close to four million visitors by 2005. The jetport would be a boon not only to the casino industry, but to all of South Jersey.

Recently the city and the county have been at odds over the plans. We are trying to help them work out their differences so we can move ahead with this spur to South Jersey's economy.

### WORLD CLASS

Up north, Newark International Airport became the world's seventh busiest airport in 1986, then slipped when People Express was taken over by Continental Airlines. I see this decline in passengers—21 percent for the first nine months of 1987—much like a stock market correction. The long term outlook is for renewed growth. The Port Authority projects 45 to 50 million passengers a year at Newark by the year 2000—a 60 percent increase over last year.

Newark Airport's growth in the 1980's has been staggering. From 10 million passengers in 1980 the



airport grew to 30 million in 1986, a 200 percent increase. Much of the growth came from the short-lived success of People Express. When Continental took over the bankrupt airline company in 1986, it cut many of the popular discount flights and that meant fewer passengers.

After a period of consolidation, Continental will be moving into spacious, state-of-the-art Terminal C at Newark Airport this spring. Terminal C has 41 additional aircraft gates. That will free up space in Terminal B and allow other airlines to expand.

Newark International will be changing in other ways. A \$1.35 billion construction program that Governor Cuomo and I negotiated with the Port Authority last year will remake Newark Airport over the next decade. We will increase airport parking substantially, revamp airport roadways to ease congestion and build satellite "park 'n' fly" lots up to 60 miles away. We are also studying a "people mover" to link the terminals, parking lots and a proposed rail link to Downtown Newark and Elizabeth.

Newark International is already a world class airport. These improvements will get us ready to grow into the 21st century.

I am extremely proud of Newark International's development, just as I am of our entire transportation system. I would rank our highways, our rail and bus lines and our jetport with any in this nation or the world. They are the lynchpin of our economic prosperity.

That is why we must continue to invest in their upkeep and improvement. The modern Chinese writer Tehyi Hsieh wrote that "A road that does not lead to other roads always has to be retraced, unless the traveler chooses to rust at the end of it."

To keep New Jersey moving forward, we must finish our roads, our jetport and our mass transit system. And we must make certain to keep them always in good repair. After all, New Jerseyans deserve to go first class.





## LAW AND PUBLIC SAFETY

**T**he wrecked car outside of Philadelphia was filled with drugs, guns and bundles of \$20 bills. It had something else, too. Pennsylvania state troopers found a map with a route marked from Miami to New York—with a wide detour around New Jersey. Written in big letters was a simple message: "Do not go into New Jersey."

Drug smugglers had written that message for their courier, but it might as well have come from me. As I said in my Blueprint for a Drug Free New Jersey, there is no room for drugs in our state.

Drug use is pervasive. Fifty-six percent of all crime—220,000 crimes a year—is drug-related. Chances are every citizen of New Jersey will be the victim of a drug-related crime in his or her lifetime. City neighborhoods are overrun by drug lords and addicts, lives are being ruined by narcotics and an entire generation of young people is threatened by an unprecedented menace.

Two years ago, I said New Jersey had to fight back. We resisted the temptation to offer glib answers. After careful deliberation, we created first the State Narcotics Task Force. Later, I unveiled my Blueprint providing long-term answers to the drug menace.

The Blueprint worked on an important premise: that to only fight the supply of drugs without reducing the demand for drugs would be futile. It envisioned not only harsher drug laws and stepped-up enforcement, but provisions for more education to prevent young people from using drugs, and more care and treatment if they have fallen into that abyss.

Last year we began acting on that plan. The *Comprehensive Drug Reform Act of 1987*, sponsored by Assemblyman Walter Kern, and the *Drug-Free School Zone Act*, sponsored by Senator Frank Graves, Assemblymen Nicholas Felice and

John Girgenti, took effect in July. Then Attorney General Cary Edwards introduced his Action Plan For Law Enforcement to increase the heat on the pushers and the drug merchants.

The threat of harsher penalties and more vigorous pursuit by our police are intended to act as a pincer to choke off the supply of drugs in New Jersey, especially in and around New Jersey's 2,400 grade, junior and senior high schools.

We rewrote our drug laws to make them the toughest in the nation. Quite frankly, we want to scare the drug peddlers. The act moved our drug laws from Title 24 of the State Health Code, to Title 2C of the State Criminal Code. This enables us to give drug merchants mandatory sentences that will put them behind bars for a long time. Drug users will lose their drivers' licenses and pay a heavy, new penalty if convicted.

Before this, judges were given no guidance when sentencing pushers. Many pushers received much lighter sentences than they should have. During 1985, for example, 151 people were convicted of drug offenses which carried a maximum sentence of a life term. None got life, and 45 percent never even went to jail.

That will never happen again in New Jersey. If we catch and convict drug pushers, they will be old men or women before they think about selling drugs again.

The reform act did more than just stiffen offenses. It took aim at three special species of drug merchants: the leaders of the drug rings; the men and women who run drug laboratories; and, perhaps the most vile of drug sellers, the pushers who prey on our school children.

When we arrest a street pusher, he can be replaced within an hour. If we take out the leaders of the drug rings, we can deal a serious blow to the architects of the narcotics trade. The 1987 drug reforms create a new offense: leader of a narcotics network. Now if we



arrest and convict someone of leading a drug ring, we can sentence him to a life prison term. That pusher would have to serve *at least* 25 years before he could be considered for parole. The only offense we punish more severely is murder.

Before the reform act, there was no penalty for running a drug laboratory. Now there is. Running one is a first degree offense with a minimum sentence of 10 years and a maximum of 20 years. We expect the average sentence to be 15 years. Without its leaders and its means of production, a drug ring will wither.

Our greatest emphasis is on protecting the young. W.E.B. Du Bois once said that "the chief problem in any community cursed with crime is not the punishment of the criminals, but the preventing of the young from being trained to crime." The new criminal code and Action Plan trains its sights on those who try to entice our young into a life of drugs.

The new law says that anyone selling drugs to children will face a sentence twice as severe as he would have received had he been selling drugs to an adult. The *Comprehensive Drug Reform Act* and the *Drug-Free School Zone Act* tell the pushers to stay away from our

children. The *Drug-Free School Zone Act* tells pushers they face a mandatory minimum sentence of three years plus a stiff fine if they are caught selling drugs within 1,000 feet of a school.

This penalty is on top of what the pusher would get if convicted of just selling drugs. It is working already: State intelligence investigators have overheard pushers warn one another not to meet or sell near schools.

The reform act makes one more important change. For the first time, anyone caught using a child as a courier or pusher will earn himself a term as long as 10 years, with a minimum of three to five served before he can be considered for parole.

That is the law—but the law is an empty vessel if it is not used properly. Under the Action Plan announced in October, we made it plain that the State would marshal every resource at its disposal to arrest pushers. The plan is our strategy to train all our guns on this modern scourge.

We have an advantage that many states do not have. Our law enforcement system is unified and integrated. State laws weave strong ties among the Attorney General and State, county and local law enforcement agencies. To take advantage

of this, the plan requires every police officer, sheriff, state trooper, member of the State Narcotics Task Force and county prosecutor to follow the tactics and strategy devised by the Attorney General to root out drug traffic.

The plan has yielded its first results. Drug arrests by the State Police have increased 187 percent in the past five months.

We are concentrating on the schools. In survey after survey, students say that drugs are readily available in their schools. A 1983 survey showed that two-thirds of our high school students admitted trying drugs by the time they graduated, while 17 percent of recent high school graduates said they used drugs or alcohol on a regular basis. This is just intolerable.

The Action Plan requires every county prosecutor to form a task force to enforce the new laws, and concentrate on ridding the schools—and the immediate areas around the schools—of drugs. We will go into every one of our 611 school districts. Just last month, our efforts received a boost when the Justice Department awarded New Jersey a \$4.7 million grant to expand our drug fighting program. We will use most of this money for the county task forces.

Teaching and learning is difficult enough. We want to make sure that our teachers and students only concentrate on what is going on in the front of the classroom instead of the back of the bathroom. If we drive the pushers out of the locker rooms, out of the hallways and out of the parking lots, then we have a chance to prevent a lot of tragedies from happening.

Every child we save from drugs is a future New Jersey leader. That is why we are devoting so many men and women and so much money to this program. We cannot afford to fail.

### AN OUNCE OF PREVENTION

We are not naive or disingenuous. If we took every one of the state's 30,000 police officers and



stood them on the border, narcotics would still find their way into New Jersey. A drug program that considers only law enforcement and punishing the guilty will not work. Our only chance for real success is to reduce the demand for cocaine and marijuana, heroin and amphetamines.

The Blueprint recognizes this, and I appointed a Cabinet Working Group to study the best way to convince our young how to "say no" to drugs.

Last year we developed a special curriculum to teach our children from kindergarten to 12th grade about the dangers of drugs and alcohol. Now we require every school to teach this curriculum.

These plans turn on preventing kids from being seduced by the false glamour of drugs. The idea is to stop a problem before it can become one. Sadly, for too many young people, we are already too late. They have slipped into the abyss of addiction and the nightmare of abuse.

We cannot forget these young men and women. Before the Cabinet Working Group rolled up its sleeves, there were virtually no residential treatment programs for teenage addicts and drug users. Last year the Cabinet Working Group and the Department of Health took \$4.3 million in state and federal money and used it to buy treatment for our poor, while the drug and alcoholism treatment system aimed at the near-poor was established using \$5.2 million in combined funding.

The list of achievements is lengthy. We are hitting the criminals harder. We are educating our young. We are treating more of our addicted and counseling more of our troubled. But as impressive as this is, it is not enough.

We are arguing for nothing less than a social revolution. We are trying to convince an entire generation of people to change the way they think about drugs. It can be done. In the last 20 years we have convinced Americans to eat less red



meat and quit cigarettes because they are deadly. In the last five years alone, we have convinced Americans that drinking and driving is just not acceptable. We want to change people's minds about drugs.

We cannot do that by sitting in Trenton and giving orders. We can only make a lasting impression if we start in Hancock's Bridge, Columbus, Haledon, Belmar and in every one of our towns and cities. We must persuade every New Jerseyan that drugs kill and maim just as surely as a speeding car driven by a drunk. We must work together to eliminate drug use.

### CRIME STORY

The police who discovered the drug courier's wrecked car were Pennsylvania troopers. Not long after the discovery, the commissioner of the Pennsylvania State

*We must persuade every New Jerseyan that drugs kill and maim just as surely as a speeding car driven by a drunk.*

Police asked our State Police to send a delegation of troopers to spend six months teaching 5,000 Pennsylvania troopers how to spot criminal activity during routine stops.

Requests like that have become routine. During the last few years, 42 states, Canada and several Caribbean nations have asked the New Jersey State Police to explain how to do their jobs better. We were so flattered by these requests that we decided to retrain our own main troopers in the latest techniques pioneered by our elite Drug Interdiction Unit. In less than three months since the unit has been operating in Warren and Sussex counties, the troopers have arrested 183 people and seized 121 pounds of cocaine worth \$2.9 million.

Work like this is making New Jersey a safer state today than it was last year. In October, the State Police released their crime statistics for the first half of the year and the news was good. Crime overall had fallen by one percent, but more importantly, violent crime—murder, rape and robbery—had fallen by nine percent. And the number of arrests for drugs increased 13 percent.

The good news did not end there.

Slightly less than two years ago, we formed the Organized Crime and Racketeering Task Force, which combined the resources and expertise of the State Police and the Division of Criminal Justice into an elite coordinated operation. Since then, 16 members of the Genovese crime family have been arrested and indicted on charges of gambling and racketeering. The indictments seek not only convictions but the forfeiture to the State of more than \$31 million in cash and other assets. And the Organized Crime Task Force uncovered a conspiracy where several people bribed local officials to allow them to illegally dump construction debris from New York.

Just a few weeks ago, Attorney General Edwards signed an agreement setting a national precedent for cooperation and coordination between the State Task Force, FBI and U.S. Attorney's Office. The federal government has never before asked a state to join it in an agreement such as this. The federal government has come to us because our programs—and men and women—are so good.

Tougher laws and tougher sentences make a difference. But we must do more.

We need to give police officers and state troopers new weapons with which they can solve crimes. A new computerized Automatic Fingerprint Investigation System (AFIS) would allow investigators to identify suspects within hours, instead of weeks. We now have 107,000 latent fingerprints involving 52,000 crimes that we would have a better chance to solve if we had AFIS. The Los Angeles Police Department already uses this system. They used it to catch a serial murderer, who but for the latent print identification, would still be free and still be killing.

Not only will these changes make stronger cases, but we are making sure that we bring only the strongest cases to trial, making convictions more likely. Last year the Attorney General's Office established a special Grand Jury unit to review

all the cases the State would bring. And we are making sure that not only do we go after the criminals, but their millions in ill-gotten gains as well. This year the Attorney General will set up a unit of lawyers, investigators and accountants who will sue the criminals in civil court to confiscate the profits of crime. This will make our Racketeering, Investigating and Corrupt Organization Act a painful and costly reality for the criminals.

We are making sure there are more police officers and more troopers to fight crime. The Safe and Clean Streets program has provided more than 2,000 new police officers for our cities, while we have increased the number of state troopers by more than 20 percent in the last three years.

This has helped make our roads safer. In 1980, highway fatalities stood at 1,400 people. Two years ago, we cut this to just over 1,000. Over 20 years, the number of road miles driven has increased by half, but the number of fatalities has been reduced by a third, primarily in the past four years.

Part of the reason is our increased patrols and increased vigilance. And part of the reason is the harsher drunk driving laws I signed. In fact, while the number of alcohol-related deaths increased 7 percent nationally last year, New Jersey's alcohol-related deaths fell 23 percent. We are continuing our effort to reduce this carnage. This year we have elevated the Office of Highway Safety to a division level within the Department of Law and Public Safety. This will enable us to crack down on the drunk drivers further.

We have increased the patrol presence on our roads, but the time has come to increase our police presence on our state waterways. If asked, few people would probably list New Jersey as a maritime state. Rhode Island is the Ocean State, New Jersey is the Garden State. But New Jersey has 127 miles of shore line, 1,750 miles of interior tidal shoreline and 800 lakes and ponds.

We are surrounded by navigable

waters that are heavily used. There are 25,000 more boats registered today than there were in 1981 and on any given summer weekend, 150,000 boats are on the water. Boat accidents last year were twice the 1981 level, while the number of arrests by the Marine Police jumped 80 percent between 1984 and 1987.

New Jersey has one of the highest concentrations of vessels per square mile in the country, yet at any given moment, only 20 men are on duty. If a boat capsized on the Delaware River, a state marine police unit would not reach the boat for two hours.

The time has come to expand the duties of the Marine Police. They must continue to save boaters. But we are investing in them so we may pursue the dumpers and the polluters who foul our water.

The United States Coast Guard has been stretched thin in recent years. It does not patrol within three miles of shore. A hauler can dump his vile trash in our waters and no one will be sure who did it.

The time has come to make New Jersey's waters safer and cleaner. Last year we made the Marine Police a full-fledged bureau within the State Police. Now we must do more.

Next month I will ask you to provide money to expand the Marine Police. I want to open a station in Newark Bay and one along

the Delaware River, where there are none now. This is the first step to make the state's waters safe and crack down on polluters. The state's boaters deserve the same sort of protection at sea that they would receive on land. And the beaches deserve the same kind of protection any other precious part of New Jersey receives.

## HARD TIME

It is one thing to talk tough about fighting crime and another thing to fight that war to its conclusion. Arrests are meaningless without convictions and convictions are meaningless without punishment. Put another way, you are destined to lose the war on crime if you do not have any place to put the prisoners.

Since I took office we have increased the number of prison beds by 6,444, and expect to add another 990 by 1989. The past year alone saw us increase the number of beds available by 1,000 with the opening of Northern State Prison in Newark and by 322 beds elsewhere in the state prison system.

Construction continues at East Jersey State Prison for a 324-bed close custody unit that should be ready this summer, while we have begun designing a 350-bed addition to Riverfront State Prison.

But this is not enough to meet





our needs. New Jersey now has 15,525 convicts behind bars, a number that is expected to grow by 100 to 120 a month through the end of the decade. Not only must we build more beds for new prisoners, but we must also replace the 533 beds we will lose when our lease at Fort Dix expires.

Fortunately, New Jerseyans realize the task we face. I was relieved and pleased last November when New Jersey voters authorized the State to sell bonds to pay for more prison beds. The \$198 million bond act, which was sponsored by Assembly Speaker Chuck Hardwick, Assemblyman Walter Kern and Senator Frank Graves, will allow us to build an additional 3,300 new beds, including a badly needed 500 new beds at our severely overcrowded county jails.

These new cell beds are essential. Our jails are already crowded and we cannot afford to allow them to get to the point where a federal judge takes control. I am extremely proud that New Jersey remains one of only ten states which are not under court order to reduce prison overcrowding. I want criminals in jail, serving their full sentences.

During the next year, the Department of Corrections will study the best way to spend the proceeds of the bond issue. It will continue to study whether purchasing a 900-bed converted troopship as a medium security prison will comply with environmental laws.

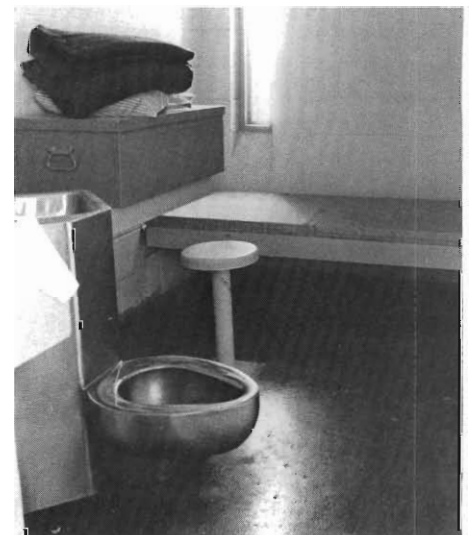
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The department must decide where to build 2,000 medium security cell beds. It has already met with several counties to discuss adding 500 beds for state prisoners in their jails, while helping them renovate or build beds to alleviate their crowding. It will also choose a site for a 324-bed close custody unit, build another 162 beds at the Garden State Reception and Youth

Correctional Facility at Yardville and a 120 bed drug and alcohol treatment unit.

Building prisons is expensive. That means that we must be creative, and produce a corrections system that incarcerates only those who should be jailed.

When I took office in 1982, only 135 prisoners were offered an alternative to incarceration. Today, through the Intensive Supervision Program, 900 adults who might have taken up precious prison beds at approximately \$25,000 a year—



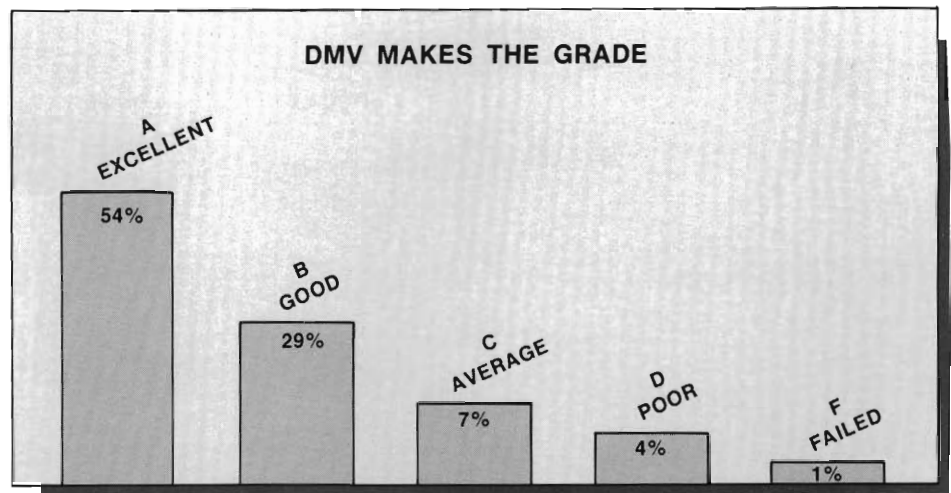
on top of the prison construction costs—are serving their time through intensive probation and parole. The number of youthful offenders in community-based programs has nearly doubled, from 380 to 700.

Commissioner Bill Fauver has also developed another new program that deserves praise. Under the Highway Litter Pickup Program, inmates are helping make New Jersey a little cleaner. In 1983, just 12 inmates helped clean litter from our highways. Last year 75 inmates removed more than 50,000 tons of trash from 2,000 miles of state roads. In my budget message next month I will recommend another expansion of this program.

### ON THE ROAD AGAIN

Two years ago, the Division of Motor Vehicles (DMV) was a governor's nightmare. Hundreds of letters poured into my office daily, filled with horror stories and complaints. Service was indifferent and inefficient at best, and when the central computer system failed, some thought the DMV agencies were far worse than merely bumbling. It seemed that the DMV was in the same bad shape as Humpty Dumpty immediately after the fall.

But while all the King's horses and all the King's men were unable to restore the legendary egg, we have been far more successful in



repairing the DMV. Under the leadership of the Attorney General and DMV Director Glenn Paulsen, the DMV has been transformed from a dispirited operation to one which prides itself on serving its customers, the New Jersey motorists.

No state agency touches the lives of more New Jerseyans than the DMV. Every one of the state's 5.2 million drivers and car owners must come in contact with it. In fact, each driver and owner does business with the DMV at least twice a year, some as often as four times a year. Not even the Division of Taxation touches as many people as frequently. That is why I promised you a DMV that would treat you with the same courtesy and service that a popular corner grocery offers its customers.

For more than a year, we planned, studied and worked to

*As one DMV staff person put it, "I've been with the Motor Vehicle Division for 18 years, and I have seen some real changes here."*

stabilize the DMV. Since then, we have begun to make the changes pay off. Two months ago, a poll conducted by the *Bergen Record* found that 58 percent of the people surveyed thought the DMV provided good or excellent service. Another 19 percent said the service was fair. As one DMV staff person put it, "I've been with the Motor Vehicle Division for 18 years, and I have seen some real changes here." This is a far cry from the days when one letter-writer urged me to "blow up" the agencies.

What have we gotten for our efforts? Before our changes, if you came into an agency to register your car, it used to take one, maybe two, hours. Now we have it down to 15 to 20 minutes, and are doing it more courteously. It used to take two months to get a road test appointment. Now there is no wait. If you wanted to change your name or address, it took six to ten weeks before the changes showed up in the records. Now it takes 24 to 48 hours.

Perhaps most important, the computer programs are being modernized and the DMV has been able to repair 1 million of the 1.2 million





errors caused by the old computer programs. By June we should have the rest of the errors fixed. The DMV completes more than 24 million transactions a year. A one percent error rate, whether caused by customers or the DMV itself, would equal more than 240,000 errors a year. The true measure of the DMV's efficiency and success will be how quickly it fixes those errors.

One of the remaining complaints the Record poll discovered was that the agencies were too small for the crowds, they were dingy and dirty, and it still took too long to do business. Our own surveys are finding customers complaining that some agencies did not even have a bathroom. And in fact, 80 percent of the existing agencies do not have the room they need to set up a clean and, most of all, efficient operation.

We have proposed a Model Agency Plan to fix our problems. Although we are reducing the number of agencies from 54 to 52, we will be able to do a better job because the remaining agencies will be bigger, better located and more pleasant places to work or patronize. We are making sure all of the agencies will be spacious, and almost as important, no agency will be more than a 20-minute drive from your front door.

Not only will you get there faster, but once you arrive at an agency, you will be able to take care of a lot more things than you used to. The old system limited the agencies to doing three things: issuing titles,

licenses and registrations. If you had to do something else, even something as simple as changing a name on a license, you had to go to Trenton.

While that may have been easy if you lived in Ewing or Lawrence, it meant losing an entire day if you lived in Sparta or Elsinboro. The new systems and procedures will allow the agencies to do more than 25 different kinds of transactions instead of three, eliminating the need to go to Trenton for most routine business.

You still will not be able to take care of more complex matters like hearings on suspensions or points. But we have made another important change to save you time with these problems. While we are moving DMV headquarters to a brand new building in Trenton, we are creating four new DMV regional centers, in the north, south, Trenton and along our central shore area.

Now if you live in Hammonton or Vineland, you do not have to travel any farther than the new Deptford regional center, which opened this month. If you live in West Milford, you will not have to travel farther than Wayne after this spring when we open that new regional office. Our regional center in Trenton should be ready this summer, followed by the expansion of the Eatontown agency into a regional center.

There are two other changes we have made that New Jersey's

motorists should know about. Beginning this year, we will have toll-free 800- telephone numbers they can use to call the DMV. Under the old system, if someone called Newton from Stanhope, he or she was automatically switched to Trenton. The caller thought he was calling locally, but when he received his phone bill, the 35 minutes he spent on the phone showed up as a long distance call and a rude shock. After this April, our 800-lines will be complete and that will never again be a problem.

We have also printed a booklet, the "DMV Motorist Guide," that tells people what they have to do to get a license or register their car, and how to use any of the 100 other services, DMV provides. As surprising as it might seem, this is the first time the DMV has ever done anything like this. We print pages upon pages telling you how to parallel park, but up to now we have never provided the 5.2 million people who deal with the DMV annually with the kind of basic information everyone needs to register and legally drive a car.

This year we will continue to look for ways to make our motorists' lives easier. We will offer plastic, tamper-proof licenses and registrations. We are also considering allowing people to use credit cards to pay for DMV services. This is still on the drawing board, but if it is feasible we will do it.

One more change is worth noting. We have already reduced the inspection wait from two hours to 12 minutes, on the average. We believe we can shave more time off the wait if we discard irrelevant inspection requirements and concentrate on only the essential ones. If we do away with failures for such things as malfunctioning side marker lights and other superfluous requirements, we can increase the number of cars we inspect per hour from between 35 and 40 to 55. A pilot project is currently being completed. If the results are favorable, we will expand it statewide and save all of us time.

Two years ago, I promised you

that the days of shoddy treatment by the DMV were over. I said we would make the horror stories a thing of the past, and we are succeeding. We continue our pledge to give New Jerseyans the best motor vehicle system in the country. With continued support from you, we can make that a reality.

### THE BEST DEFENSE . . .

New Jersey is defined by its environment—natural and man-made. We are known for the Jersey Shore—and the good times you can have there. It falls to the Attorney General and the Department of Law and Public Safety not only to keep the peace, but to protect the integrity of the natural and man-made wonders that we offer. The Environmental Prosecution Unit (EPU), the Division of Gaming Enforcement (DGE), the State Racing Commission and the State Athletic Commission ensure that our beaches, our boxing, our racetracks and our casinos help New Jersey remain a great place to enjoy yourself.

We have enacted extremely tough laws to protect our environment, and we make sure we enforce them. Over the past three years, we expanded the number of investigators and lawyers in the EPU, and now have as many people prosecuting environmental crimes as the entire federal government.

Our investment is paying off. The unit won 25 convictions and obtained 50 indictments against polluters, and recouped \$1.3 million in fines. One of those offenders pleaded guilty to 37 acts of water pollution, and agreed to pay a record \$900,000 fine. Meanwhile, two northern New Jersey companies paid \$105,000 for polluting groundwater. We also indicted a North Jersey manufacturer for allegedly illegally dumping more than 80 drums of hazardous waste, and a Camden County resident for allegedly illegally disposing of dangerous hospital "red bag" wastes.

People move to and visit New Jersey because they can draw a



deep breath of fresh air in the Kittatinny Mountains or draw a cool glass of water from the Cohansey aquifer. They also come here to be entertained. And New Jersey works hard to make sure the integrity of three of the most attended forms of entertainment—racing, casino gambling and boxing—is maintained.

We worry most about corruption in the casinos. A lot of money changes hands in Atlantic City and we know that we must have strong bulwarks to make sure our gaming industry remains the most honest in the world. The unsung hero of this daily effort is the DGE.

We have rewritten a new set of regulations to keep people we be-

lieve a threat to the casinos' integrity out of the gaming parlors. Now DGE Director Tony Parillo has a greater opportunity to show that a suspected patron really is a threat. We now require a better mechanical shoe to deal cards to thwart cheating, we have set up the most modern slot machine testing laboratory in the world, and we require that the casinos notify the DGE if the parent company of a casino begins to operate casinos abroad. To show its commitment to the people of Atlantic City and their rebuilding effort, the DGE moved and consolidated its South Jersey offices to Atlantic City proper.

No one can doubt that New Jersey is a national leader in sports.



but after the State Commission of Investigation report in 1985, there were many doubts about how well we ran our boxing and parts of our racing programs. But after the SCI finished its job, we began ours. By 1987, when the Athletic Commission licensed more bouts than ever before, New Jersey was recognized as one of the toughest overseers in the country. The boxer himself is better protected and the public better served.

Commissioner Larry Hazzard and the Athletic Commission suspended more boxers than ever in the history of the state. At the same time, the Athletic Commission ordered 35 professional boxers—9 percent of all the fighters licensed in the state—to retire for medical reasons. When bouts were conducted, two doctors were required at ringside to avoid unnecessary injury to the fighters.

This year the State will complete the creation of the medical review board and a formal retirement program for boxers. When these reforms are in place, New Jersey's regulation of boxing will become a

model for the nation. The real priority is the health of the boxer. We intend to meet that.

The Racing Commission administration has also been modernized. The commission was expanded to seven members with representation from South Jersey required. In addition, a nationally recognized drug testing program for horses and jockeys has been put into effect along with new rules for hiring track officials. Installation of a new computer system for licensing is also under way.

When I argue for returning New Jersey's cities to economic vitality, I remind my listeners that no city will be able to flourish if its citizens must cower from crime. No new industry will move to that city, and existing companies will move away. They will choose the haven that the safer suburbs bring.

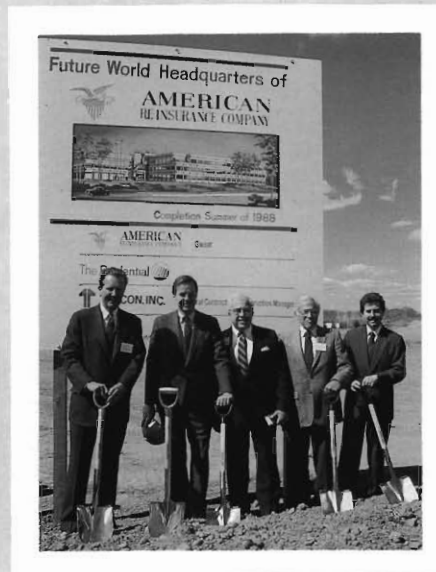
The same situation is true of the State. The link between crime and competitiveness is very, very clear. If New Jersey is perceived to be corrupt, its towns perceived to be unsafe and its young perceived to be drug addicted, no company—no

one—will want to come here. Protecting our citizens is one of the most important responsibilities our state Constitution imposes on the governor.

We no longer compete with our cousins in New York and Pennsylvania. Our world has expanded to include Asia and Europe. People there are appalled at what they perceive to be the lawlessness in America.

With foreign investment and foreign companies so important to New Jersey—more than 1,000 companies, 140,000 jobs and \$10 billion in investment—we must make sure we are protecting not only the safety of our citizens, but our image as a safe place for everyone to live, work and play. Our message is clear. New Jersey is a great place to raise a family and build a career. It is a great place to start a business and prosper. But it is a very bad place to commit a crime.





## INSURANCE & BANKING

**T**he letter I received was like the hundreds I receive every month. The elderly woman from Port Republic told me the \$406 a month she receives from Social Security just could not survive the high auto insurance bills she faced.

"The elderly," she wrote "need cars to get around—to the doctors, to the grocery stores, to part-time jobs so we won't have to go on welfare and be a burden on the state. (We) are living on Social Security and just barely making it. Can't you please step in and do something to make those in authority lower the prices on auto insurance? Without a car I'm dead."

These letters are painful to read. It would not be enough for this woman if I were to tell her that we have not had a general auto insurance increase in four years. I suspect that would have been small consolation to her—or New Jersey's other car owners—when the premium bills appeared.

The last major across-the-board increase occurred in June 1983. Since then, automobile insurance rates in virtually every other state have gone up, some by significant margins. I am proud that we stabilized rates for four years, but I am not proud of the rates themselves.

We will never have low rates. Simply, there are too many people driving too many cars in too small an area for low rates. But we could have lower rates for this elderly woman from Port Republic—if you would buck the trial bar and pass my reform plan.

The heart of my reforms is passage of something called the verbal threshold. It is a simple idea, a trade-off. Motorists agree that they will not sue for pain and suffering unless they have suffered serious injuries. This reduces the number of claims the insurance companies must pay, which in turn reduces the rates they charge.

The trial bar has yelled and stamped its feet.

They complain that New Jersey's motorists will be left unprotected if the verbal threshold becomes law. That is simply not true.

We operate under a no-fault auto insurance law. Its goal is to pay your hospital and medical bills immediately if you have been in an accident. It is working.

In the old days, accident victims had to wait what seemed like eons before they could recover their medical costs. Claims lingered as the parties pointed fingers and hauled each other into court. Now victims are treated and compensated for their expenses promptly. Long-term rehabilitation to restore those seriously injured in a car accident to useful and productive lives is now a certainty. Before no-fault, it was frequently only the serendipitous by-product of the litigation lottery.

But the original 1972 no-fault legislation was incomplete. The prompt payment of virtually all medical expenses was also part of a trade-off. In exchange for quick payments, motorists were to surrender the right to sue for vaguely-defined "pain and suffering" losses unless there was a serious injury.

Unfortunately, the second part of the bargain was ignored. The Legislature defined the "threshold"—the point below which motorists were not permitted to sue—by using a ridiculously low dollar formula. That was a mistake. Any motorist involved in an auto accident who could show more than \$200 in doctor's bills could file a lawsuit for a "pain and suffering" award, even though all of the medical bills had been paid in full by no-fault insurance.

The result has been that we have two complete reparations systems for auto accident injuries in New Jersey. The sad truth is that each system helps to drive up the costs of the other, and it is the long-suffering motorist who pays the freight.

The use of a dollar figure as the entry ticket to the "pain and suffering" litigation game serves as a strong incentive for some plaintiffs

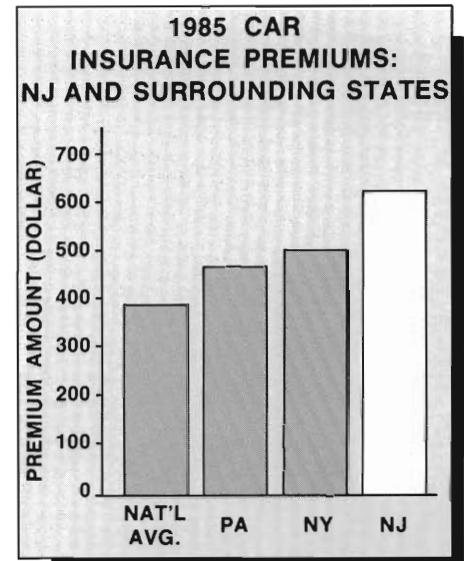
to seek medical treatment until the magic plateau has been reached. This is so even for those with the higher optional monetary threshold. These extra costs are, of course, completely paid by no-fault.

On the other hand, the very feature which makes no-fault insurance effective—the prompt payment of medical bills—makes "pain and suffering" litigation more expensive. Since the bill collectors have been kept away from the door, the plaintiff trying to collect a few thousand dollars in non-economic damages for a relatively minor, and in some cases, medically undetectable injury, can afford to hold out longer for a larger settlement.

This dual system is unnecessarily expensive and, to me, simply intolerable. The only reasonable solution is to do away with the so-called "monetary" threshold. As long as a dollar figure is sitting there as a target, crafty trial lawyers working on contingent fees will be shooting for it.

### VERBAL THRESHOLD

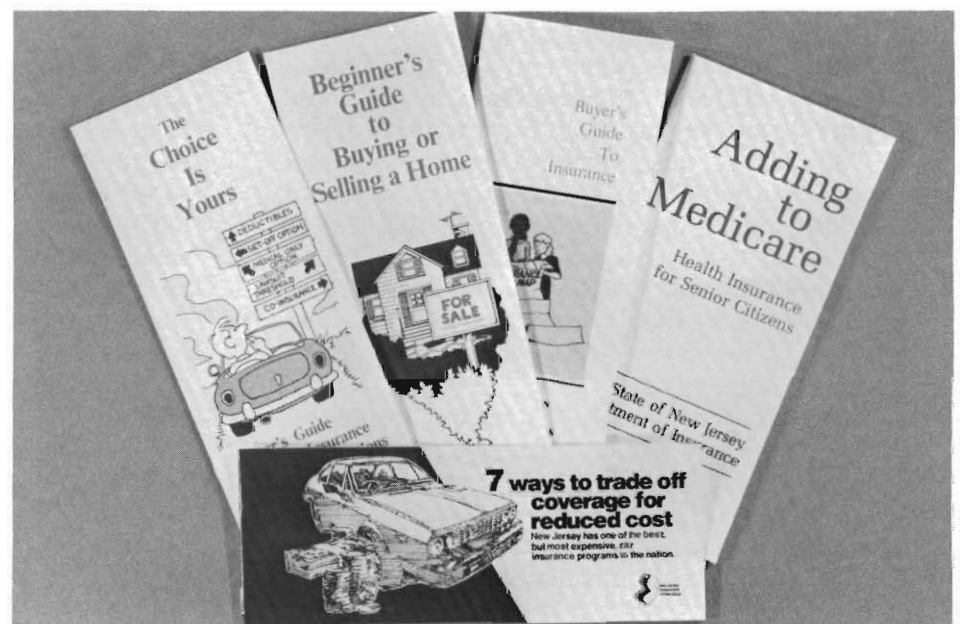
We must enact the "verbal" threshold, which defines right to sue in terms of the seriousness of the injury, rather than in terms of the dollars which can be spent to treat it. Under a verbal threshold, all seriously injured auto accident victims would be allowed to sue for



an additional pain and suffering recovery. More importantly, however, those who are not seriously injured will not be permitted to sue.

Now, before I start hearing about the loss of benefits for these innocent victims, let me remind you that the restriction of the "right" to sue for pain and suffering is hardly a restriction at all: New Jersey would still provide the most extensive and most comprehensive no-fault benefits in the country.

I have spent the last six years arguing, persuading and pleading to pass the verbal threshold. To its credit, the Assembly has sent to the Senate an acceptable measure. I want to commend Speaker Chuck





Hardwick and the men and women of the Assembly who had the courage to reject the special interests mustered by the trial lawyers and who instead voted for New Jersey's motorists.

Unfortunately the Senate has been the verbal threshold's Waterloo, and that is very bad news for the single mother in Bayonne or the shopkeeper in Egg Harbor City. They are struggling to get ahead, and as they drive their battered Pontiacs and aging Ramblers, they need the break in the rates we could give them. I urge you in the strongest of terms: do not turn your backs on these honest New Jerseyans. Pass the verbal threshold and make their lives easier. Without it, New Jersey rates will continue to rise at unacceptable rates.

Make no mistake: passing the verbal threshold is the most important way to reduce auto insurance costs. But there are other steps we can take and are taking to keep costs down.

In 1983, I signed an excess profits law, which limits how much the insurance companies may keep as profit from your auto insurance premiums. Anything over a fair rate of return must be paid back to the policyholders as a dividend. In 1986, the dividends began to flow. Thanks to this law, the insurance department required companies to

*Make no mistake: passing the verbal threshold is the most important way to reduce auto insurance costs.*

refund \$10.9 million worth of excess profits to more than 135,000 drivers.

We must make the excess profits law stronger, so it will yield more essential information to the department as it sifts through the companies' claims. I have sent you a bill that would amend the law to reflect more accurately the effect of investment income on profits. If we can extract more precise information, we can guarantee that consumers will continue to share in any windfall received by auto insurers by returning more of their premiums in excess profit dividends.

Part of the problem with auto insurance rates in the past was that the industry was not watched closely. Now the department is exercising far more regulatory oversight than ever before, thanks to some tough new regulations.

One of the most important new regulations took effect two years ago. It required the largest companies to base their rates on their own individual losses, rather than on a combination of experience re-

flecting data supplied by smaller, less efficient companies. We are going to continue this trend and in 1988 the department will sharply curtail the number of companies who may file rate requests as a group. This regulation will help limit rate increases only to those companies really in need.

Despite these advances, we are not satisfied. I will first and foremost renew my campaign to enact a verbal threshold law. And I have instructed the Department of Insurance to scrutinize the market and search for ways to reduce auto insurance costs.

### **INSURANCE REFORM**

It is easy for auto insurance to dominate our thoughts. We grumble whenever we contemplate the steep cost of insuring our cars. But auto insurance is not the only area where problems have plagued New Jerseyans.

An insurance crisis hit America in 1985, and suddenly businessmen, corporations, government officials and ordinary people began asking, "How did rates get so high?" or just as frequently, "Why was my policy cancelled?"

Part of the answer was connected to the cyclical rhythms of the insurance industry. But New Jersey could and did take steps to hold down the cost of insurance. We recorded several important legislative accomplishments I requested in last year's Annual Message.

I signed a bill sponsored by Senator Bill Gormley, that amended the Tort Claims Act and eliminated the doctrine of joint and several liability for the State, county and local governments. This limits the damages a government would have to pay to the actual degree of its responsibility. If a government is only 10 percent liable for an accident, for example, it will no longer have to pay 100 percent of the damages. Plaintiffs will no longer be able to look at the government as a cash cow to be milked, and property taxpayers in this state will be able to breathe easier.



*If we have a strong insurance department, we will be able to better regulate the powerful insurance industry and protect the public interest.*

The crisis was forcing many people to choose whether to go out of business, or stay in business without insurance and gamble that they would not be sued. Tavern owners were especially vulnerable, and last year I signed legislation, sponsored by Assemblyman Tom Shusted, that also eliminates the joint and several doctrine for them. As a result of this legislation, insurance companies reduced the rate they charged bar owners by an average of 25 percent. In addition, I signed another bill that makes more modest changes in joint and several liability for ordinary people who are sued civilly.

Insurance is not meant to provide windfalls. But before I signed legislation sponsored by Senator Carmen Orechio, it was possible for someone to win a judgment at trial to pay for the same expenses already paid for by his insurance company. Senator Orechio's legislation ended this double dipping by requiring these collateral sources to be subtracted from the judgment.

We made one more major change last year, altering our products liability law. This legislation, sponsored by Senator Ray Lesniak, codifies and clarifies the common law in this area. It gives manufacturers the measure of reliability and predictability they need.

This legislation represents the

State's attempt to remove inequities in the civil justice system that drive up the cost of insurance. This is one way we can protect the public interest and make sure insurance is available at fair rates.

There is something else we can do to help us reach this goal. If we have a strong insurance department, we will be able to better regulate the powerful insurance industry and protect the public interest.

Frankly, before Commissioners Merin and Gluck took office, the department was unable to execute its responsibilities to the public. It was a toothless relic. The commissioner's American flag was a symbol of how far behind the times the department was: it had only 48 stars.

The department was like those in many other states—understaffed, underfunded, and without modern equipment. Its staff, almost half of whom performed clerical or administrative tasks, primarily shuffled paper. In the Age of the Computer, the department's idea of high technology was electric pencil sharpeners. There was simply no way it could regulate a multi-billion dollar industry that was armed with reams of spreadsheets and the latest in computer-generated data.

But in 1984, we gave the department its first major increase in funding in many years. Now the

current budget is twice the fiscal 1984 budget. We are developing a cadre of skilled regulators—people who have the ability, the desire and the tools to examine companies and determine what rates are adequate and not excessive. Just as importantly, they are now able to explore innovative ways to control costs.

Our reforms did not begin or end with the rank and file. One of the most important changes I sought would have made the authority of the commissioner clearer. Last year, I asked you to make certain the Insurance Commissioner has the power to deal with insurance companies who disrupt the New Jersey marketplace by abruptly pulling out of the state without good reason. The commissioner must be able to demand that an insurer surrender all of its licenses if it drops a critical line of insurance arbitrarily.

Existing law suggests the commissioner has this power, but this issue is too important to depend on the vagaries of judicial interpretation. The power must be plainly stated. The Senate, unfortunately, deleted language from a bill which would have clarified the commissioner's authority. I urge the sponsors to act on this before we face a repeat of rapidly rising rates and disappearing availability.

Our investment of time and money to restructure the department is beginning to pay off. In the next few months, you will see dozens of imaginative proposals from the department to change the way insurance is sold, what it covers,

and the effectiveness of state regulation.

The first one was presented last summer. For the first time, the Department was able to propose a *comprehensive* package of legislation to help solve problems of cost availability and solvency in the commercial insurance market. We will continue to work with you to develop these ideas in the months ahead.

### ACHES AND PAINS

Medical malpractice insurance is another area where thoughtful, dramatic solutions can succeed. As you know, the last major effort to make coverage available at reasonable cost—creation of the Medical Malpractice Reinsurance Association in 1976—ended in insolvency after only six years in business. A \$41 million debt remains.

Since then, New Jersey doctors have endured double-digit rate increases annually. In the end, the consumer suffers. New Jersey consumers pay for that insurance through our medical bills. And high insurance rates are prompting some doctors to avoid high-risk specialties such as neurosurgery and obstetrics.

As with other kinds of insurance, the key to lower medical malpractice premiums is a system-

atic effort to reduce not only the number of medical mistakes that occur, but to eliminate the frivolous and greedy law suits aimed more at making a quick buck than at repairing a wrong.

We know that the vast majority of doctors in New Jersey provide good care. But as the recent State Commission of Investigation (SCI) report sadly noted, too many doctors pose a threat to the health of their patients and to the insurance rates of their colleagues.

The SCI report also said many of the good doctors are hesitant to turn in the bad ones. That leaves the public with means only to punish, not prevent, the errant. We must change this. We must create a system to manage these risks and stop accidents before they happen.

Since about 80 percent of malpractice incidents occur in hospitals, it is the hospitals which should take a more aggressive role in preventing malpractice. A recent report by the Department of Insurance recommended encouraging hospitals to assume this role by making them legally responsible for lawsuits filed against attending staff physicians in the hospitals. By repealing the doctrine of charitable immunity, strengthening peer review procedures and tightening enforcement by the Board of Medical

Examiners, we intend to reduce the need to sue and thus reduce insurance costs.

Insurance is inscrutable for many, many, people. All they want to know is will they be protected in case there is an accident and will this protection cost them a lot of

*We are committed to protecting the public trust, and to making sure that New Jerseyans need not pay more than they should for the security and comfort that insurance brings.*

money? They depend on the State, on the Department of Insurance, to peel away the mysteries of insurance and make sure the rules are fair and that their rights are protected.

We are committed to protecting the public trust, and to making sure that New Jerseyans need not pay more than they should for the security and comfort that insurance brings. With cooperation and imagination, we can make New Jersey the No. 1 state in insurance for reasons other than high auto rates.



## BANKING REVOLUTION

When customers of the Commercial Trust Company of New Jersey went to their branches last year, they noticed something new. Attached to the familiar blue and white logo was another name—United Jersey Bank—reflecting United Jersey Bank's purchase of the Jersey City-based bank.

The new name reflected more than just a bank merger. The marriage of U.J.B. and Commercial Trust reflected a revolution in New Jersey banking.

In an industry marked by strong earnings and strong financial performances, larger banks swallowed smaller banks, in-state banks bought out-of-state banks, foreign banks purchased New Jersey institutions, new banks were chartered in unprecedented numbers, while new forms of banks evolved from old. Thrifts, for example, began to sell stock, moving away their standing as "mutual," or customer-owned, banks. By year's end, the entire industry was in the midst of a historic transformation.

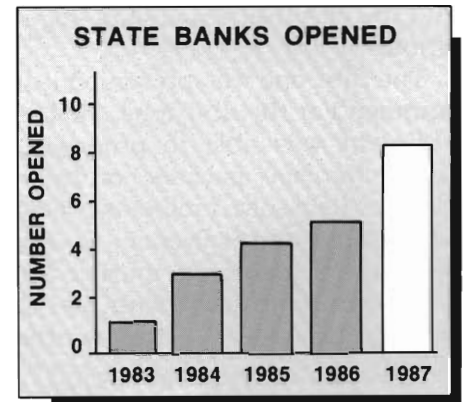
Two factors were largely responsible. New Jersey's continued robust growth made our state a great place to do business. As one industry analyst said, "When you sit in New Jersey and look around, from

an economic point of view, it blows your mind. The population ... is unreal; the commerce is doubly unreal."

This charged market became an even more attractive place to do business after I signed the Interstate Banking Law, sponsored by Senator Carmen Orechio and Assemblyman Lou Kosco.

*As one industry analyst said, "When you sit in New Jersey and look around, from an economic point of view, it blows your mind. The population ... is unreal; the commerce is doubly unreal."*

As a result, New Jersey's seven largest bank holding companies either completed an interstate acquisition or became part of an interstate deal. Our interstate banking law allowed Midlantic and First Fidelity, the state's two largest bank holding companies, to create super-regional companies, and allowed the British bank National Westminster to purchase New Jer-



sey's fourth largest commercial bank, First Jersey National Bank, of Jersey City—a deal that was finalized two weeks ago when New Jersey's banks were allowed for the first time to pursue acquisitions across the nation.

Left unfettered, the banking industry saw the Goliaths slug it out. The emancipated market also spurred the development of banking Davids, smaller, local banks, which sprang up to provide services no longer offered by the giants. More than 15 banks were chartered last year—more new banks than were chartered in the preceding five years. The newcomers, which included the first new savings banks in nearly a century, intend to make personal and community services their hallmark.

Free market banking demanded that institutions either keep up with the times or wither. Nowhere was that more apparent than in the ranks of our thrifts—our savings and loan associations and our savings banks. As 1987 progressed, more thrifts—13—converted from customer-owned bases to shareholder-owned bases in one year than ever before.

The reason was simple. The brave new world of banking demanded that all institutions have more capital to support expanded operations. Selling stock raised more money for the thrifts than would have been available had they continued to operate as a mutual company.





The State gave that drive an assist when I signed the 1987 Omnibus Savings Bank Act sponsored by Assemblyman Lou Kosco and Senator Ed O'Connor. This law increased the commercial lending powers of savings banks and also allowed them to restructure themselves into holding companies owning capital stock savings banks. This allowed them to raise the capital and develop the flexibility they needed to compete successfully.

I signed another important law last year, one meant to ensure our savings and loans also would survive, compete and flourish. Patterned after the Interstate Banking Act, this law enables savings and loan associations to join with other associations in other states. This should result in larger and stronger associations, and eventually lead to New Jersey-based savings and loan associations operating nationally.

Banking as we know it is being rebuilt before our very eyes, and the reconstruction will continue this year. Mergers, acquisitions and growth will continue to make headlines this year, as both international and New York banks make their presence felt in the state, and as New Jersey banks continue to wade out into the rest of the nation.



## SAFE AND SOUND

Before the turn of the century, a batter in baseball had to see eight balls before he could get a free pass to first base. As the rules changed to reduce the number of balls needed to four, the umpire's job changed with it. Something similar is happening in banking—the game is changing and the umpire's role is changing as well.

As the banking revolution brings new bank companies and new financial institutions to New Jersey, it is the Department of Banking's job to make sure our banks remain sound and safe. It requires new rules and regulations to fulfill this responsibility. Some of them are in place already, and the Department will continue to cast a vigilant eye on the industry.

The Department also must make sure that the little guys, the consumers, are not casualties of this revolution. The Department spent much of last year investigating and attempting to resolve the com-

plaints of increasingly vocal consumers to make sure all were dealt with fairly and legally.

For the most part, they were. We have a responsible and honest banking industry in New Jersey. Nevertheless, there were areas where the Department had to intervene.

The Department obtained \$347,000 in rebates for bank customers last year, but its work did not stop there. Responding to complaints about obtaining a mortgage, the Department rewrote our mortgage regulations to make obtaining a mortgage fairer and easier to comprehend for consumers. After the Secondary Mortgage Act was passed, the Department rewrote the regulations governing home equity credit to protect borrowers from unscrupulous lenders while offering homeowners additional ways to secure home equity funds.

This banking revolution is not a fad, but a trend we will see for the

*Marshall McLuhan's version of a "global village" has come to pass in the banking industry, as we link ourselves through automatic bank teller machines and international bank holding companies alike.*

rest of the decade and century. Marshall McLuhan's version of a "global village" has come to pass in the banking industry, as we link ourselves through automatic bank teller machines and international bank holding companies alike. The State is the ultimate guarantor of fairness and will continue to protect it while spurring our growth further.





## GOVERNMENT/ MANAGEMENT

**I**magine this.

Worker A sorts mail. But he finds the title "Mail Sorter" a bit demeaning. So he asks for, and receives, a new title: "Information Processor." His fellow mail sorter, Worker B, becomes angry because he feels he shoulders a bit more responsibility than Worker A. He becomes a "Senior Information Processor." And what of their boss? Well, the head of information processors certainly cannot be called "Mail Sorting Director." So he becomes, you guessed it, "Chief of Information Processors."

Sound like a Woody Allen parody? Unfortunately, this was an all-too-accurate portrayal of New Jersey state government not too long ago. Our creaking, archaic 80-year-old civil service system had created a situation where workers could not get rewards or respect for good performance. Instead, they had to get a new job title to earn more pay and responsibility.

As a result, state government had more titles and subtitles than a foreign film. We were slowly moving toward the day when we had a separate job title for each of the 70,000 state workers. And we needed a separate test to evaluate each job.

We don't have that problem anymore. Because of the landmark civil service reform you passed two years ago, New Jersey state government today looks less like Charlie Chaplin's "Modern Times," and more like Merck & Co. or The Prudential Insurance Company of America: sleek, efficient and responsive to rapid change.

Last year alone, we eliminated 2,400 job titles. We got rid of "zooette" and "senior zooette." Now we call someone who works in a small zoo, a park or a museum, a "guide." We also threw out "supervisor of resilient floor repairs" and "supervisor of marking rooms." All in all we chopped out 20 per-



cent of the titles in state and local government.

Linguists are not the only ones cheering. Consolidating job titles means we can do a better and quicker job of evaluating employees with similar skills across departments. It means faster promotions based on real merit, less paperwork and a happier and more productive workforce.

But fewer job titles is only one of many benefits of the landmark civil service reform. For the past year, Personnel Commissioner Gene McCaffrey has been working to shorten civil service regulations from 25 chapters to ten, reduce the number of temporary employees and speed the process of hiring and evaluation. Gene has moved deliberately, as befits a man who is throwing out an 80-year-old system and beginning anew. But when he is finished, he will have pulled New Jersey state government into the 21st century.

The most exciting new part of the civil service system remains the establishment of a Senior Executive Service, an elite cadre of the best and brightest managers—the “all-stars” of state government.

By the end of 1988, we hope to have around 200 such “all-stars” nominated and approved in every department. These top managers will be eligible for special compensation for outstanding work. They will have the same kind of freedom and authority given to high-ranking managers in private companies. We want to reward our best workers so that they will spend their careers serving the people of New Jersey.

One important feature of the Senior Executive Service is the flexibility managers will have to work on special projects. The armed services maintain elite squadrons of the best soldiers trained for dangerous assignments. Similarly, our Senior Executive Service will be available whenever an emergency occurs in state government. Its members’ weapons won’t be hand grenades and machine guns, but technical “know-how”, management skill and a thorough knowledge of the state bureaucracy.

The Division of Motor Vehicles (DMV) provides a perfect example of what I mean. With a Senior Executive Service, each department

could have loaned DMV a top executive for six months to help straighten out the agency. Then the managers would go back to their original departments. Attorney General Cary Edwards has succeeded at attracting this kind of talent, but his job would have been much easier with a Senior Executive Service.

I believe New Jersey state workers are the most able and dedicated public employees in the country. We are fortunate to have people like Dick Bruno, of the treasury department, who saved the state \$150,000 thousand a year by figuring out a way to earn interest on ten percent of the tax withholdings we send to the federal government; or Scarlett Fuller, a secretarial assistant with the Board of Public Utilities, who set up a training program to upgrade the skills of her fellow workers and increase office productivity.

With the new personnel system in place, we will finally have a system of running government that is of the same high quality as Dick and Scarlett and the 70,000 other talented people who work within it.

## PAY EQUITY

A 21st century personnel system is essential if state government and local employees are going to do their jobs to the best of their abilities. But nothing dulls employees’ initiative quicker than knowing that they are missing out on a raise or a promotion simply because of the color of their skin or their gender.

The suffragist Susan B. Anthony liked to chant, “Men, their rights and nothing more; women, their rights and nothing less.” She could have been describing the theory behind pay equity.

Pay equity means equal pay for equal work; regardless of gender or ethnicity. Three years ago I created the Task Force on Equitable Compensation to study wages in state government and determine if women and minorities earned less in certain jobs.

The Task Force was chaired by Commissioner McCaffrey, and joined by Senators Don DiFrancesco and Wynona Lipman, Assembly members Joann Smith and John Watson, along with numerous leaders from the private and public sectors. The Task Force has performed ably, combing through more than 140 job titles with high concentrations of women and minorities. Their recommendations are now before you and I urge you to examine them carefully, so that we may begin to finally erase traces of bias in our employment system.

I also urge you to pay close attention to the recommendations of the 33-member regulatory reform commission, which was created by legislation sponsored by Bob Franks and Kathleen Donovan in the Assembly, and Bill Haines in the Senate. I hope the commission will recommend ways to improve the sometimes vague and redundant state regulations that can make life difficult for everyone from the family farmer to our large corporations.

I also again express my support for the creation of a regulatory czar to review all state regulations, as suggested in a bill sponsored by Assemblyman Bob Franks and supported by Assemblyman Art Albohn.

One of the best ways to attract new talent to government is through internships and fellowship programs. Two years ago, we created the Governor's Fellows program, which so far has attracted two dozen of the brightest graduates of masters programs and law schools to work as assistants to cabinet members and other key government officials.

Now Department of Community Affairs (DCA) Commissioner Len Coleman has proposed we revive the Interns in Public Service program, to allow college students to spend a semester or summer working in local governments.

I think this is a great idea. The local governments will benefit from the students' energy and enthu-



siasm, and the students' first taste of government work may lead them to a lifetime of public service.

These efforts are all intended to make government serve better. But in the 1980's, good service also requires using advanced technology to move information quickly.

That is why we opened the new Office of Telecommunications and Information Systems (OTIS) HUB facility in Ewing Township. The HUB ties together the state's five computer networks and allows each state office to communicate with each other. Little more than a

decade ago, the state had 39 separate computer systems and most were unable to communicate. Now we have a unified network.

The OTIS HUB was not the only new building that opened in or around the state capitol last year. Last month, I helped dedicate the new DCA building and the sparkling new Department of Environmental Protection (DEP) headquarters. In the coming year, we expect to officially open the last of the three Building Authority projects to house the Commerce, Banking and Higher Education depart-

ments. These three projects total over 800,000 square feet of office space.

On top of that, last June we announced plans to lease over one-half million acres of office space in four new buildings in downtown Trenton. This investment will do more than create modern office environments for state workers. This commitment by the state to lease office space will attract more than \$80 million in private investment and increase Trenton's tax revenues initially by \$1.4 million a year. Without the state leases, these buildings would not be constructed.

This lease arrangement is the latest proof of the state's commitment to restoring Trenton's reputation as a booming center of government and commerce.

Our new buildings and leases are just one piece in a three part puzzle that includes personnel reform and new technology. As we fill in this puzzle completely, we will give state government the ability to run as smoothly and efficiently as the most admired Fortune 500 company.

### DOLLARS AND SENSE

Smart management is particularly important when it comes to handling our taxpayers' money. Every dollar wasted is a dollar that cannot be invested in important programs in education or the environment, or returned to our hard working men and women.

*Last year we were one of only seven states to enjoy a Triple-A credit rating from both major rating services.*



I am proud that New Jersey continues to be one of the most fiscally responsible states in the country. Last year we were one of only seven states to enjoy a Triple-A credit rating from both major rating services.

Our strong credit rating is a result of sound money management and aggressive tax collection. For example, in 1986 I signed a border agreement to recoup the sales tax on merchandise people buy in New York and have shipped to New Jersey. In the first 15 months of this agreement, we collected \$10 million extra in revenue.

With our 90-day tax amnesty program ending in December, we will now have much tougher penalties for people who refuse to pay taxes. We've hired more tax collectors and installed computers that work with the I.R.S. to track down tax cheats.

New Jersey has maintained a record of fiscal strength while also taking one of the strongest moral stands in the world by continuing to divest our pension funds from companies that do business with

South Africa. As of July of last year, we had divested more than \$3 billion. By August 1988, we will have divested completely.

Like the treasury department, the New Jersey Lottery, under former Assembly Clerk, Barbara Marrow, has used advanced technology to improve operations. The results are apparent. Last year was the first in the lottery's 16-year history that sales of lottery tickets topped \$1 billion.

### THE COLOR OF MONEY

In this message, I have talked about the improvements in personnel and technology we have made so that government can respond to the needs of all our people. But government can become less responsive if the high cost of campaigns forces elected officials to turn to organized special interests in order to survive.

Public financing of New Jersey gubernatorial campaigns has been successful. The public has been able to choose among large fields of

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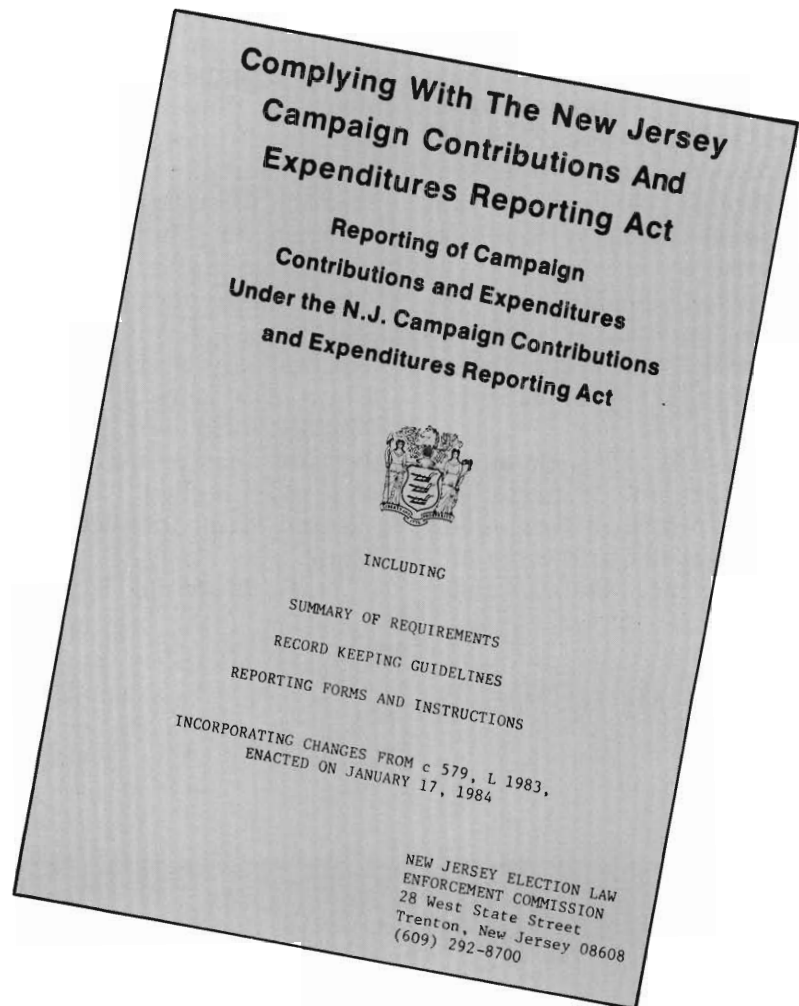
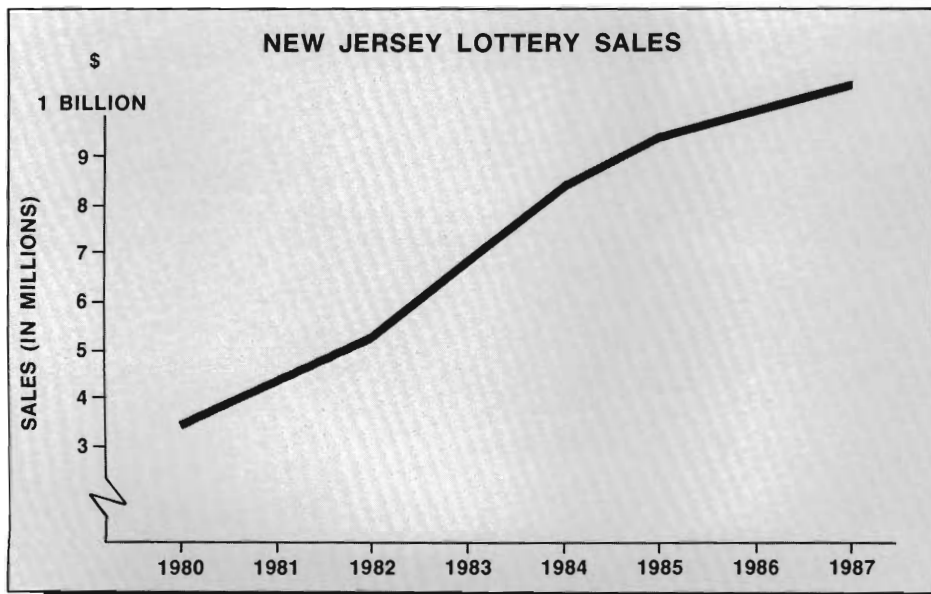
qualified candidates. But the skyrocketing cost of running a statewide campaign, especially buying television advertising, threatens to make the current funding caps obsolete. As a result, a number of gubernatorial candidates in 1989 might forego public financing. That would be unfortunate.

Therefore, I ask that you make Senator Dick Zimmer's campaign finance reform bill one of your top priorities.

I also encourage you to take a look at ways to put the brakes on the soaring costs of legislative campaigns.

As recently as 1983, the average amount spent for a general election campaign for the Assembly or Senate was \$34,377. Last year, one candidate in a primary election spent

more than \$176,000, while the total cost of Assembly and Senate races was over \$10 million dollars, an average of \$134,000 spent for every seat.



If this trend continues, service in the legislature will be limited to the very wealthy or to candidates who are funded completely by political action committees. This is bad for New Jersey and bad for Democratic government. I urge the legislative leaders to sit down together and see if we can agree on some way to restrain these costs.

While you are at it, once again I urge you to follow Assemblyman Bob Franks' lead and approve a commission to find a fair way to redistrict our Congressional seats in 1991.

One other issue deserves comment. As I write, both bodies are considering a proposal to abolish the last vestiges of the Department of Energy, to make way for a new state department: the Department of Veterans.

I believe we owe a special debt to the almost one million New Jer-

seymans who have served our country. That is why I have made it a priority to build a third veterans nursing home in Paramus, to open four new veterans service centers across the state and to build our first veterans cemetery, so that these special citizens do not have to be buried out of state.

But I do not believe that the veterans' best interests, or the taxpayers', would be served by the establishment of a new state department.

We must take seriously our responsibility to provide greater service to the people of New Jersey through a smaller and more efficient bureaucracy. We must make

every effort to restrain the growth of government, lest it smother the private initiative and entrepreneurship that has made our current good times possible.

Therefore, I cannot support the creation of any new department.

Whenever I think of excellence, I remember a story about Winston Churchill. Preparing for the British leader's visit to Washington, a British Embassy worker asked one of Churchill's aides what the Prime Minister liked to eat and drink. "Sir Winston's tastes are quite simple," the aide replied. "He is easily pleased with the best of everything."

Like Churchill, I believe the

people we represent are only pleased with "the best of everything." They want government services, to be sure. But they want them provided in the most efficient manner possible.

With our landmark reforms in personnel, technology and office construction, we are giving New Jersey the efficient professional state government they have long desired. And the impact of these reforms will last for long after most of us have left public life.





## FEDERAL RELATIONS

**N**o matter whom you support for President in 1988, Republican or Democrat, you must admit that the political landscape has changed dramatically since Ronald Reagan was elected eight years ago.

Political power and responsibility has flowed from Washington to the states. We are taking the lead in tackling the nation's toughest problems—rebuilding our schools, reforming welfare or cleaning our water.

Nonetheless, federal policy remains important. Our goal is to push federal policy in a direction that is compatible with New Jersey's ideas and innovations.

For example, we've built our strong economy on the back of the longest national peacetime economic expansion ever. We've been able to increase our workers' productivity, and improve our companies' sales from Tuscon to Tokyo, because the

U.S. economy as a whole has been strong and growing.

The biggest threat to continued boom times remains the federal budget deficit. This fall Congress labored to produce a \$30 billion deficit reduction plan. As I told the President, that package is a good first step, but it is only a first step. New Jersey's congressional delegation must take the lead in the next few months with a serious effort to significantly reduce the structural deficit.

Our delegation's second priority must be to work with the State to save the New Jersey shore from pollution. I have outlined a program that is more ambitious than any state has attempted. Yet it will not work without the cooperation of our Members of Congress, many of whom hold powerful assignments on committees with jurisdiction over ocean-related legislation.

Specifically, we need Congress to ban all ocean

dumping of sewage sludge by 1991, as suggested by Congressmen Jim Saxton and Bill Hughes. New Jersey will make the investment to find land disposal alternatives. Congress must say once and for all that the ocean is not a sewer into which we can wash every noxious substance we do not want on land.

Congress also must immediately close the six-mile site used for contaminated dredge spoils; establish a manifest system to track hospital waste; convince the Environmental Protection Agency (EPA) not to allow a permanent woodburning site to be set up off our shore and increase funding for the Coast Guard to track and catch illegal dumpers.

Finally, I thank the Senate for ratifying the MARPOL Treaty, which prohibits the disposal of plastics in our ocean waters. I am pleased that Congress passed the implementing legislation in late December and I look forward to strong enforcement of the Treaty.

These six actions are absolutely necessary if we want our bathers to enjoy clean beaches and clean water.

Other items on the Congressional agenda must include reform of the U.S. welfare system, so that more states can follow New Jersey's lead and give welfare recipients the support they need to break the cycle of dependency. The welfare reform effort should include the improvement of collection and enforcement of child support payments, an idea backed strongly by Congresswoman Marge Roukema.

We also desperately need a federal housing policy. And Congress must amend the Clean Air Act, to help states solve regional problems like ozone pollution and acid rain.

This is a pressing agenda. But one other national issue requires the courage to say "no." Congress must resist the urge to enact protectionist trade legislation. To do so would provoke retaliation from other countries and cripple New Jersey's efforts to sell our companies' products abroad.

Fifty-eight years ago, nine New Jersey Congressmen voted for the Smoot-Hawley trade legislation. In part because of that vote, a world recession deepened into a depression and Congressman Hawley and Senator Smoot won an inauspicious place in history. I hope our current delegation will learn from their predecessors' mistakes, follow the more enlightened lead of Congressman Jim Courter, and resist protectionist impulses.

### A GOOD YEAR

Despite the disappointing performance on the budget deficit, Congress and the federal government did act on several initiatives last year for the benefit of New Jersey. Our delegation, as usual, put aside partisan differences to work for the common good of the state.

Congressmen Jim Howard, Bob Roe and Dean Gallo, along with Senator Frank Lautenberg, led the fight for a new federal highway bill to help pay for road, bridge and mass transit improvements.

On another highway issue, lobbyists fought to allow big, double-bottom and 18-wheel trucks to exit major highways, like the Turnpike, wherever they please. The New Jersey delegation helped turn back this move, making life a lot easier for people in small towns like Jamesburg and Secaucus, who can do without double-bottom trucks rumbling by their homes at four in the morning.

Our environmental trust program also got a big boost with approval of a new, \$20 billion Clean Water Act. The new bill allows every state to use federal dollars to set up revolving loan funds, based on New Jersey's successful Environmental Trust program. The bill also officially banned all sludge dumping at the 12-mile site off the New Jersey shore and prevented other cities, notably Boston, from dumping at the deeper, 106-mile site.

The delegation also successfully obtained federal funding for two important studies of erosion and pollution along the New Jersey shore. And we won federal money to



help rebuild the Sandy Hook Fisheries Laboratory, which was destroyed by fire a few years ago. Congressman Bernard Dwyer lobbied his colleagues on the appropriations committee for this and other funding important to the state.

After months of negotiation, the Secretary of Health and Human Services (HHS) approved a waiver to allow us to offer health care benefits, day care and transportation assistance to participants in our REACH welfare reform program.

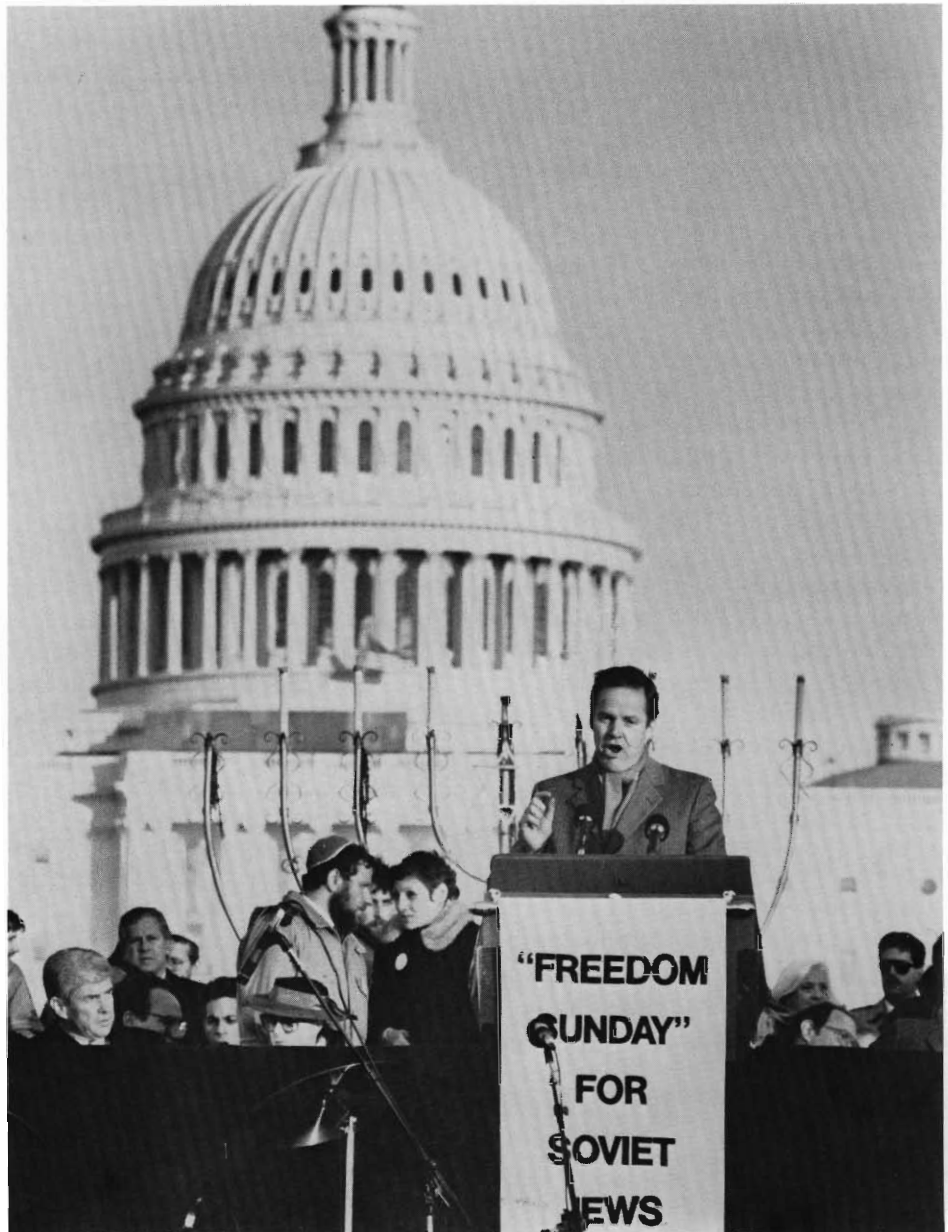
The waiver also allows us to require women with children as young as two years old to work or go to school as a condition for participating in REACH.

On October 13, President Reagan lauded our welfare reform efforts in a speech in Somerset. "The New Jersey reforms," the President said, "could prove among the most far-reaching and significant ever in helping get those on welfare off and become productive citizens." Without the federal waiver, this historic program would not move forward.

Congress also approved an expanded Older Americans Act, of special importance to New Jersey's 1.3 million senior citizens. The new program included two new initiatives that were based on successful New Jersey programs. One provides in-home services to frail seniors, the other makes health education available within senior centers.

Finally, senior Senator Bill Bradley eased the way for our Garden State Health Plan to become the first state-operated HMO in the entire country. Senator Bradley, along with Congressmen Jim Florio, Matt Rinaldo and Frank Guarini, have each played important roles in gaining congressional approval for our innovative state health care programs.

This is a strong record of accomplishment. It was aided by the work of New Jersey's Washington Office, led by Alice Tetelman, which continues to work with members of both parties to make sure New Jersey's interests are protected in Washington.



### BEING HEARD

Imitation is the sincerest form of flattery, and I am proud that a number of New Jersey's programs, from our alternate route to teaching certification to our revolving loan funds, are already being copied by other states.

In 1988, as in 1987, I will take every opportunity to share New Jersey's ideas with other governors and legislators.

New Jersey will continue to be a leader in the national education reform movement. Last year I proposed, and Congress accepted, changes in the Chapter I education program to begin to target federal

*I am proud that a number of New Jersey's programs, from our alternate route to teaching certification to our revolving loan funds, are already being copied by other states.*

funds on urban and rural schools with the greatest need.

I also began working to set up a National Board of Professional Teaching Standards, similar to national boards in medicine or architecture. I believe the National Board, when operating, will help turn teaching from an occupation into a respected profession.

As chairman of the education subcommittee of the National Governors' Association (NGA), I helped write "Results In Education," a report which recommended seven principles the federal government should follow to help the states reform our schools. I worked with other governors to develop a national policy on AIDS. And I used my chairmanship of the NGA subcommittee on the environment to call for a national policy to use regulations and tax incentives to encourage industry to reduce more toxic waste at the source.

I spent a great deal of time lobbying for a fundamental change in this nation's approach to welfare. The NGA welfare reform policy was based largely on New Jersey's REACH program. I carried New Jersey's welfare message to the White

House as the only elected official on the President's Welfare Reform Task Force. And I took our message to Congress in testimony before the Senate Finance Committee.

I am pleased that the welfare reform bill winding its way through Congress has at its center the basic REACH philosophy: government requires welfare recipients to work or go to school and in turn we invest in day care, health coverage and other means to independence.

In 1988, I will continue as a member of NGA's executive committee. I will also again chair NGA's subcommittee on the environment as well as the National Wetlands Policy Forum, sponsored by the Conservation Foundation. The Forum brings together for the first time governors, federal officials, conservation leaders, farmers and developers to forge a national strategy to save our fast disappearing wetlands.

This past December I stepped down as Chairman of the Republican Governors' Association. I used the post to urge Republicans in other states to talk more about issues like education and urban policy and to reach out to poor and

minority Americans.

The 1980's have been heady years for New Jersey. Our experience reminds me of a statement once made by the great Greek leader Pericles, commenting on Athens' 14-year reign as the world's most prosperous and progressive city. "We are not fetched by imitation from neighboring states," Pericles said. "Rather we are a pattern to others."

New Jersey, too, has become a "pattern to others." Hardly a week goes by that I do not get a call from a fellow Governor asking what we are doing to promote foreign trade, raise student skills or provide health care to pregnant teenagers.

I am proud that New Jersey is viewed across this land as one of the most progressive, successful states. With our congressional delegation's cooperation, we can work in this presidential election year to make sure that the ideas that have turned New Jersey into a paradigm of growth and prosperity will shape the path America takes in the 1990's.





## CONCLUSION

"These are the best of times . . . if but we know what to do with them."

So spoke Ralph Waldo Emerson one hundred and fifty years ago. But his message is entirely appropriate today.

I have laid before you the investments New Jersey must make to compete in this new world.

As we chart our future course, let us do so with the same spirit that has carried us to this point.

Let us be ready to put aside partisan politics to work for the commonweal. And let us always remember that the ultimate strength of this pugnacious state lies not in government, but in the ingenuity and imagination of the people we represent.

The challenge before America is daunting. Let New Jersey show the way.





## Governor's Cabinet

*(Left to right)*

*Back row: William C. Ridgway III, Administrator, OTIS; Saul Cooperman, Commissioner, Education; Drew E. Altman, Commissioner of Human Services; T. Edward Hollander, Chancellor, Higher Education; Arthur R. Brown, Jr., Agriculture.*

*Middle row: Richard T. Dewling, Commissioner, Environmental Protection; Jane Burgio, Secretary of State; Alice Tetelman, Director, Washington Office; Michael R. Cole, Chief Counsel; Edward R. McGlynn, Chief of Staff; Thomas H. Kean, Governor; Brenda Davis, Chief, Policy and Planning; Hazel Gluck, Commissioner, Transportation; Molly Coye, Commissioner, Health; Borden R. Putnam, Commissioner, Commerce and Economic Development.*

*Front row: Eugene J. McCaffrey, Commissioner, Personnel; Leonard S. Coleman, Commissioner, Community Affairs; Mary Little Parell, Commissioner, Banking; Alfred A. Slocum, Public Advocate; Feather O'Connor, Treasurer; Charles Serraino, Commissioner, Labor; W. Cary Edwards, Attorney General.*

*Missing: William H. Fauver, Commissioner, Corrections; Major General Francis R. Gerard, Adjutant General; Kenneth D. Merin, Commissioner, Insurance.*

