

# FOURTH ANNUAL MESSAGE

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GOVERNOR OF NEW JERSEY



To The Legislature

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## INTRODUCTION

On a cold January day four years ago, I promised the citizens of New Jersey an Administration of DOERS in the fight against mediocrity and in the quest for excellence.

"We must," I said, "be men who will dare to do -- will strive to do the deeds -- will know the great enthusiasms, the great devotions, know the thrill of high achievement -- and, even if we fail, will fail while daring greatly so that our place will never be with those cold and timid souls who know neither victory nor defeat!"

As we reflect today on the past four years, it can be said with pride that this Administration met the test posed by that challenge to action. Working together, we have produced a record of meaningful accomplishments to improve the quality of life of our fellow citizens.

As with all who ACT, there have been defeats in the battles to find new solutions to the very old problems that have impeded the progress of this great State. BUT THEY WERE DEFEATS, NOT FAILURES! We have fought the good fight. We did not shrink through timidity or fear from the challenges. As a result, the citizens of New Jersey and their elected representatives now recognize and must consider these unresolved problems and discuss and debate programs to cure them. Hopefully, our efforts and political sacrifices will make it easier for those who follow to do what must be done if New Jersey is to achieve its full potential for greatness.

We have "stormed the heights" to achieve a just and equitable tax reform, to produce adequate housing for our people, to bring about needed parole reform, to provide adequate funding for mass transportation, to merge county and superior courts, to modernize municipal and juvenile courts. The new legislature and the new Governor have but to examine pending legislation and they will find the means to solve these and many other problems to which we addressed ourselves, but which past legislatures have either ignored, postponed, or defeated. Where they have failed, let us hope that the new Legislature will act with courage and wisdom so that these necessary reforms may be accomplished in the early days of the new Administration.

But, my friends, there have been many battles we have won together -- we have known the joy of high achievement -- we have shared the glow and excitement of many hard won victories.

While it is not the purpose or intent of this message to discuss in complete detail the accomplishments of four years, it does serve a purpose to review some of the major achievements, just as we have cited our setbacks and disappointments. We hope to insure that the

victories won will be permanent, and, hopefully, they will encourage the new Administration to even greater efforts in the years ahead. We recall now with pride some of these victories.

Victories that brought New Jersey nationwide acclaim in the vital battle to clean up and protect from pollution our precious natural resources of land, air, and water:

- The establishment of a new Department of Environmental Protection.
- A total of 125 pieces of environmental legislation, including The Wetlands Act, the Coastal Protection Act, the Flood Plains Act, the Solid Waste Management Act, the Pesticide Control Act, and the Noise Control Act.

Victories that have provided the consumers of New Jersey with new legal tools for their protection:

- A new Division of Consumer Affairs.
- A No Fault Insurance law that is the most effective and comprehensive in the nation.
- A full-time Public Utilities Commission.

Victories in law enforcement and protection of the public trust:

- Full-time prosecutors, the Criminal Justice Act of 1970, the Criminal Anti-Trust Act and tough new laws to prevent loan-sharking and usury.
- The Controlled Dangerous Substances Act, a model for the nation.
- A tough Conflict of Interest law for elected and appointed State officials, and a start toward extending it to other levels of government.
- A strong and effective law requiring the public reporting of political campaign contributions and spending.

Victories in providing quality education for our youth:

- Full funding of the Bateman Act.
- The most successful Lottery in the nation has provided funds for 60,000 new college spaces.
- For the first time in this century, New Jersey is now educating more of its college students in this State than it is sending out of State.

Victories in providing greater and more effective health care for our citizens:

- Remarkable progress by the New Jersey College of Medicine and Dentistry in both physical growth and quality of education—more than doubling the numbers of new doctors and dentists sent into the community each year.

- Programs for the establishment of health maintenance organizations and, in conjunction with the Federal Government, to increase health care for the urban poor.
- The Health Care Facilities Act and revitalization of the laws concerning Blue Cross and Blue Shield.

Victories in seeking vitally needed mass transportation facilities:

- For the first time, the Port Authority has been persuaded to make a significant commitment of its resources for a \$650 million bi-state plan of rail transportation.
- A unique plan that will revitalize New Jersey's long-neglected bus transportation system with the infusion of 1,800 new and modernized buses.

Victories for our most precious asset, the young people of our State:

- Our 18-year-olds have been brought into the full responsibilities and rights of citizenship.
- A comprehensive reform of the Juvenile Justice Code has been enacted.
- Establishment of a new Division of Youth and Family Services.

Last but far from least, there was the recent victory achieved with the cooperation of Governor-elect Byrne which should assure the success of the Sports Complex and will stimulate the development of the vast North Jersey meadowlands.

History will record that no Administration in New Jersey in any period of four years has accomplished more in preserving and improving the environment, in providing more educational opportunities for our youth, in improving our system of criminal justice, in sharing state revenue with local school districts, in protecting the consumer, in pursuing prison reform, in completing major highways and initiating breakthroughs in mass transportation, in improving and expanding our banking system, and in modernizing insurance delivery to our citizens. No Administration has been more appreciative of and generous to our State employees and, with it all, no Administration has been as protective of the tax dollars of our citizens.

Since 1969, the number of students in our public colleges and university has increased dramatically. Our Medical School enrollment has nearly doubled, and will be increased even more significantly when the major construction programs, now underway, are completed.

Since 1969, State aid to local school districts has been increased by 80 percent.

Since 1969, the average salary for State employees has risen by

31 percent and retirement, insurance, and health benefits have been improved substantially.

In 1969, when this Administration took office, we were confronted with a budget deficit of over \$250 million. As this Administration leaves office, we are proud to turn over to our successors a surplus of over \$250 million.

We believe we have left as a legacy to our successors a solid foundation of progress on which to build.

## TO CONTINUE THE FIGHT

It has been said that victories of significance must be won over and over again. Thus in the areas of our greatest achievement, we must continue to be vigilant and energetic lest the accomplishments of the last four years be lost.

### **Environmental Protection**

This is a dramatic example, representing an area in which we are both proud of our great progress and most apprehensive for the future of our State. Under the enlightened and vigorous leadership of an outstanding Commissioner, Richard J. Sullivan, the Garden State in the past four years has effectively stopped its own self destruction, which was under-way, and most importantly has provided the basis for building a New Jersey of the future that can and should be a showplace.

We have it all — the ocean, rivers and bays, the lakes, streams and creeks, the mountains, the fertile farmlands, the rolling hills, the tranquil woods. Because we have so much, there are millions of people who want to live in New Jersey or want to enjoy it on vacations. And because of our geographical location there are many more industries and individuals who will want to move here in the future. Pressures for development will continue, and where and how much of it to permit are among the most critical of the decisions to be made for our future. Whatever be the decisions of future governors and legislators regarding growth, one thing is absolutely certain — we must not permit New Jersey to be destroyed, despoiled or desecrated for any reason!

We must increase our efforts in protecting and developing our natural resources. We must continue our fight against those who would thrust upon us the responsibility for the energy needed throughout the entire eastern part of the United States. Already there are those who, in the name of the energy crisis, would undo much of what has been done.

I do not minimize the energy crisis; I recognize fully its dimensions and implications and address myself to the problem in this message. But I caution you against the arguments of those who would use it as a device to undo our work. If we learn anything from this bitter experience, it is that we can never again afford to view our world as one of limitless, forever exploitable resources that we are free to consume, discard or abuse with impunity. While accommodation in our timetable will be necessary to meet the energy demands, we should recognize that the crisis itself is a compelling argument for redoubling our efforts to conserve and protect our natural resources. To this end, your support will be required in:



— Adequately staffing and funding the Department of Environmental Protection to permit it to discharge its functions as greatly expanded under the Wetlands, Coastal Protection, Flood Plains, Solid Waste Management, Noise Control Acts and similar legislation.

— Supporting the Department of Environmental Protection in the hard decisions that must be made in balancing economic well-being and energy demands against environmental considerations, as illustrated by the decision to veto the Open Burning Bill.

— Arming the Department of Environmental Protection with penalties adequate to deter the despoilers of our resources. If the penalties for violations of environmental protection laws are nominal or outdated, the polluter will simply allocate his fine as part of the cost of doing business or of a license to pollute. Thus, I strongly recommend you consider legislation such as Assembly Bill 435, which would increase the penalty for illegally building on riparian lands. The profits from filling these lands without payment to the State far exceed the present maximum fine of \$100.

— Enacting legislation controlling the development of the Tocks Island area and Northern Skylands regions.

— Implementation of our State Air Quality Compliance Plan, of which a major part is the automobile exhaust inspection system. The specter of federal pre-emption lurks should we fail in this effort.

— The continuing effort to protect our pure waters and purify our water ways. The Department of Environmental Protection, with the assistance of consultants on the Musto Commission staff, has been working to update New Jersey's water resources law in order to qualify for 75 percent federal funding of sewage treatment plants. The proposed legislation will coordinate the existing mix of sewage authorities in districts which dot the state, but which, in most instances, provide little more than sewage relocation. When ready for publication, these legislative proposals merit the closest attention.

— Protection of our subsurface or ground water supplies which produce over 20 percent of our state's drinking water. These aquifers are seriously threatened by pollution from runoff of fertilizers, salts, oil and other by-products of development.

— Funding the development and utilization of new techniques in the area of solid waste treatment. Our recent ban on the importation of solid and liquid waste from other states, while necessary, should not divert us from the goal of recovering all that is reusable from material which we must now view as a resource. Most of the material can be only characterized as "waste" because of our slovenly determination



to waste it. I am advised that the Hackensack Meadowlands Development Commission has completed studies and is prepared to move on this front, utilizing new technology. The full effort necessary, however, must employ not only the new technology, but the power of government to deter harmful activity or encourage beneficial conduct through rewards and penalties.

Most importantly, I would caution you once more against an excess of reaction to the demands for energy. Our policies on the major environmental issues -- the Tocks Island Dam, off shore oil ports, off shore drilling, the location of generation plants -- have been based on balance. We urge you to preserve the balance by continuing to insist that no major undertakings be permitted unless and until the proponents can demonstrate an ability to proceed without undue risk to that fragile and delicately balanced bio-sphere of earth, water and air which sustains our very lives. Caution at this point may prolong some inconvenience. Lack of caution could be fatal.

### **Energy Crisis**

Our caveat against environmentally damaging over-reaction should not be construed to sanction inaction. Realistically, we must recognize that there is little the State Government can do alone to increase supplies of energy and fuel, but we can help those directly charged with the function.

To this end, I recommend consideration of a Public Utilities Financing Authority to function as a vehicle for helping our utilities obtain the long-term financing and re-financing many of them will require to build the facilities needed to increase and distribute available energy. To the extent that such an authority can help reduce the utilities' financing costs, our consumers will ultimately benefit from lower rates.

Our major contribution, as a State government, must be made on the conservation side of the energy problem. We already have taken administrative steps in the State Government and have urged county and municipal governments to conserve the uses of energy by restricting motor vehicle speed and usage, decreasing the use of electricity and reducing the heating of government buildings.

My special Cabinet Energy Committee and the State Energy Crisis Study Commission have been working long and hard to find ways to conserve our precious energy supplies. I urge the new Administration and this Legislature to give serious consideration to their recommendations.

There are also some possible approaches I would like to present today for your consideration:

- Inverted utility rate schedules to discourage excessive demands for energy by imposing higher rates on large users and lower rates on small users;

- Higher rates for peak hour use and lower rates for non-peak hours;

- Abolishment of all rebates for large users of electrical power.

During your consideration of legislation authorizing a State Building Code, you should insure that strict requirements for home insulation be included.

I also urge you to study a proposal which would require New Jersey's public utilities to install home insulation upon request of the consumer. The cost would be recovered by the utility by billing the consumer over a reasonable period of months. This program is currently under way in Detroit, and I am advised that significant reductions in energy usage and charges to consumers have been achieved.

As a corollary of the inverted utility rate schedules, large users of electricity might well be required to adjust work schedules in order to spread out the demand for power and to reduce their costs.

I would also suggest that you consider requiring the labeling of less efficient electrical appliances and, perhaps, imposing an excise tax on their sale to encourage the purchase and use of more efficient appliances.

Finally, as public servants, we must set an appropriate example. Our citizens voluntarily have responded to appeals for restraint in consumption in remarkable fashion. To keep faith with our constituents, we must be even more conscientious in self-denial. Conservation of available resources is something each of us can help with, and we cannot expect the public to do more than we are prepared to do.

## OPEN SPACE

The protection and preservation of our open areas must remain an objective of the highest priority. Every approach to this problem deserves the fullest consideration because no single program will prove sufficient.

Public acquisition of vacant lands should remain a primary tool. It has the great advantages of simplicity and clear constitutional sanction. As facilitated by Green Acres bond issues, it has been used with success in capturing for all our citizenry the ownership of substantial lands. Much more is needed! Accordingly, I recommend a third Green Acres bond issue of substantial dimensions.

In addition, I commend to your careful attention the report of the Blueprint Commission on the Future of New Jersey Agriculture. I have examined both the Blueprint Commission Report and critiques of it with great care. The Department of Community Affairs has advanced competing proposals involving the concept of authorizing private transfers of development rights, as compared with the public acquisition of development rights, which is the crux of the Blueprint Commission's recommendations.

I have reservations about private transfer of development rights and its constitutionality. Implicit in the concept is the inhibition of development in some areas "paid for" by development of higher density in other areas. I am not sure that this State can afford to encourage or even tolerate certain types of development in some areas. Until the Council on the Future has an adequate opportunity to thoroughly explore such critical questions, I would prefer the concept of public acquisition as contemplated by the Blueprint Commission's Report.

I am concerned further as to whether the revenue sources contemplated by the Blueprint Commission's Report (a one percent realty transfer tax) will be sufficient to achieve its ambitious objectives. However, its basic concept, public acquisition of development rights for fair compensation, is a device which should be tried at least experimentally at an early date.

Meanwhile, I recommend that New Jersey follow Vermont's lead by imposing a capital gains tax on real property sales of land held for less than seven years. Vermont's tax appears to be working as a deterrent to speculation in open lands. Such speculation, per se, may seem benign so long as the lands remain vacant and undeveloped. Such speculation has as a by-product, however, the creation of a boom-town atmosphere which can artificially inflate land values, drive up real property assessments and taxes and prematurely force the landowner

of modest means to develop his holdings. Thus the speculation must be deterred. Moreover, the revenue from such a tax could also help in funding public acquisition of lands and development rights.

Again, we must review the Farmland Assessment Act. Reform here was another of the victims of the rejection of the Tax Reform Proposals. The problem, however, remains. There are those who are unfairly exploiting the present act. This must be stopped. I urge you, however, not to respond to this problem by simply repealing the Farmland Assessment Act, for that would be a disaster. To increase the taxes on farmers and other large landowners tenfold would be an incentive to subdivide and develop. A well-designed replacement is needed before repeal of the present Act. Such new legislation could differentiate between lands being farmed and other large vacant tracts which presently qualify for identical treatment. Benefits of the present dimension should be reserved only for farmers, but lesser benefits should be continued as an incentive for the larger non-farm landowner to defer development. Recreation easements, subject to definition by the Department of Environmental Protection, might also be required of such owners as a quid pro quo for the public.

Finally, I call to your attention the fact that many of our municipalities, especially in rural areas, are not adequately controlling sand and gravel mining and quarrying, with resultant cancerous blight that threatens to scar, if not remove, the foothills of some of our most beautiful areas. I recommend legislation authorizing the Department of Environmental Protection to regulate such activity in any municipality which does not itself impose minimal regulatory requirements and standards within such reasonable time as the Legislature may choose to allow.

I urge Governor-Elect Byrne and the new Legislature to continue this fight to preserve and improve the quality of life for all of our citizens.

### **Consumer Protection**

This Administration has won many battles in consumer protection, but unrelenting war must be continued against those who would cheat and defraud our citizens. There are additional weapons I would urge this Legislature to consider.

A consumer who has been defrauded now must institute a separate civil action to obtain restitution from a person convicted of criminal fraud. It is our strong view, however, that restitution to a defrauded consumer should be made mandatory. This remedy is granted as a

matter of course in civil actions; why not in criminal actions? Our courts are too overburdened and justice is too expensive and time consuming to tolerate the necessity of initiating a duplicative civil proceeding. At the very least, any gain derived from consumer fraud should be forfeited in addition to any criminal penalty.

These recommendations for forfeiture and restitution are incorporated in the recommendations of the New Jersey Criminal Law Revision Commission and the Attorney General's recommendations concerning criminal fines. It is expected that action on those more comprehensive proposals may take some time. I would urge you to require restitution in criminal cases as a consumer fraud measure immediately.

Particular attention must be given to the problems of persons on fixed incomes, especially in our inflationary economy. Senior citizens and disabled persons often require large quantities of medication. The high expense could be minimized somewhat if they could compare drug prices in various locations in order to obtain them at the lowest possible price. Yet, this will not be possible until restrictions on advertising of prescription drug prices are eliminated, as I recommended in my last Annual Message.

The extensive use of credit within our society and the impersonalization of credit transactions have led to abuses in the collection of debts. Regulation of collection agencies is needed to insulate consumers from harassment and unnecessary intrusions by unscrupulous bill collectors. The Collection Agency Bill, which was introduced two years ago, would provide this insulation.

Many protections are needed for consumers in dealings with insurance companies, which play such a significant role in our lives. There must initially be safeguards for the consumers' interest in the event an insurance company becomes insolvent. The entire purpose of insurance is negated if, after many years of paying premiums, a person is unable to recover a loss because the company is insolvent. Insolvency inflicts even greater suffering when it involves life insurance, which is the only means by which many people are able to save money. The Insolvency Bills, introduced last year, would ensure all claims are paid regardless of an insolvency.

Consumers should not have to experience difficulties or delays when making insurance claims, which, after all is the entire justification for insurance. The Unfair Claims Settlement Practices Bill, which this Administration introduced, describes and prohibits unfair claims settlement practices.



Consumers must be assured that title insurance bought when purchasing a home actually provides the intended protection and that the rates paid for the insurance bear a reasonable relationship to the risks of the title company. The bill regulating Title Insurance Companies, which this Administration has supported, would enable government to help provide these assurances for prospective purchasers.

A purchaser of automobile insurance should be assured that the entire amount of his liability coverage is available in the event it is needed and not reduced through subrogation by insurance companies under the personal injury protection coverage which was intended to be provided without regard to fault. Such a result was never intended when this Administration originally enacted No Fault Insurance. The bill this Administration introduced eliminating subrogation would ensure that the entire liability coverage was available to the consumer.

Partially as a result of the efforts of our Commissioner of Insurance, pursuant to my last Annual Message, the National Association of Insurance Commissioners is taking a long hard look at the method used by insurance companies in fixing automobiles policy rates and surcharges. Legislative recommendations should be forthcoming from this review. I would urge favorable action on any recommendations which would more fairly allocate the cost of insurance.

Many consumer problems will be aggravated by the energy crisis. For example, it has become apparent that we are entering a period in which fuel oil and other forms of energy used to heat our homes, such as liquified petroleum gas, may well become the most scarce of the energy sources, yet ones very high in demand because of their direct relationship to our every day comfort. The continuing shortage emphasizes the need for the registration and regulation of retail liquid fuel dealers and liquified petroleum gas dealers so that the State can impose standards and controls similar to those currently regulating solid fuel dealers. Registration would permit more effective regulation of the fuel oil industry to prohibit gouging of consumers and to take appropriate action when dealers treat consumers unfairly.

The present difficulties which a prospective home purchaser is realizing in obtaining home financing necessitates licensing and regulation of mortgage brokers and solicitors. These individuals are not, at the present time, licensed or regulated by the State. Legislation, which I proposed, would set appropriate standards for conduct for mortgage brokers as a condition of retaining their license. There also should be sufficient regulation of escrow accounts to protect the borrowing consumer.

Another consumer protection bill which needs to be enacted



prohibits interlocking relationships among financial institutions to insure objectivity by persons who serve as directors of financial institutions and who make decisions affecting mortgages and other financial services. It is virtually impossible for a person to be truly objective and independent when he is also responsible to a competing financial institution.

In these days of inflationary prices, energy crisis and a tight mortgage market, consumers need and deserve the help of their elected representatives.

### **Law Enforcement and Criminal Justice**

This Legislature will have a unique opportunity to improve our system of criminal justice. The recommendations of the New Jersey Criminal Law Revision Commission, which would create an entirely new Penal Code, will be submitted for your consideration. It would be the first total codification, reorganization and modernization of the criminal statutes in New Jersey's history. I urge you to make the enactment of a new Penal Code a priority item in your first year.

Pursuant to my request in my last annual message, the Attorney General examined the effectiveness of the Controlled Dangerous Substances Act as a tool in the war against drug abuse. One of the most significant recommendations is the creation of a new penalty for high level trafficking in drugs for profit, with substantially higher penalties—both imprisonment and fine—to reach and appropriately punish the major dealers in drugs. Drafts of legislation to implement these recommendations have been made available to the new Administration. I would request that action be taken on these needed changes.

The Attorney General has also reviewed the structure of criminal fines with a view to increasing the discretion of our courts. As an interim measure, pending approval of a complete code revision, the Attorney General has proposed restitution, whenever possible, and a substantial increase in fines in a number of areas, particularly those involving violations of public trust. Increased discretion in the imposition of criminal fines will enable the court to enforce more completely the concept that no one should profit from his own wrongdoing. It will also enable the court to utilize a substantial fine as an alternative to a prison sentence when a fine will best serve the interests of justice. Drafts of this legislation have been made available to the new administration.

The enactment of a new Penal Code is essential for the improvement of our criminal justice system. But, as with any law, it can be only as effective as those who administer it. We are at the point where

we should foster the development of highly qualified, specialized professionals in criminal prosecution. Necessary to achieving this type of specialized professional corps is completion of this Administration's program for full-time prosecutors in all counties and tenure for assistant prosecutors.

This Administration recently demonstrated with significant impact how the State Antitrust Act enacted during this Administration, can be used to fight official corruption. Only last month, the State took the unprecedented action of seeking a return to the taxpayers of money paid in kickbacks to a number of convicted public officials in Hudson County. This new tool holds great promise and should be used to its fullest capacity in future years. Those who have already profited from procuring the misconduct of public officials must be required to account to the public. Official corruption will end in the State only when it becomes clear that no one, public official nor corruptor, will be permitted to profit from a breach of public trust.

The criminal justice system in New Jersey, as well as in most other states, has definite shortcomings. Crime has increased, with most crimes committed by recidivists. Many are completing their third and fourth trip through the criminal justice system. While we may win every prosecution, convict every defendant and imprison every guilty person, society is the loser if we do not try and succeed in rehabilitating the criminal offender. Rehabilitation would not only avoid the backlog of criminal cases in our courts and reduce the cost of trying and incarcerating defendants, but, most importantly, it would increase the public safety and welfare by improving chances that certain criminal defendants can be turned away from crime.

Reform of the archaic parole laws is essential. Imprisonment in a penal institution should be related to rehabilitation as well as punishment and deterrence. I urge this Legislature to consider the parole reform legislation submitted by this Administration. The average cost of supervising a parolee is only a few hundred dollars annually, while the annual cost of keeping a man incarcerated runs into the thousands.

A unified probation system also is desperately needed in New Jersey in place of the existing program, which is fragmented among the several counties in varying degrees as they may be inclined to finance their probation departments. While this will require additional state funding, the added dollars are well spent since effective probation can be accomplished at less than one-tenth the cost of incarceration and with a higher projected rate of rehabilitation.

Our system of criminal justice cannot be effective as a revolving door. To the extent that wrongdoers seek to fulfill their needs by resort-

ing to crime, it is the duty of a responsive society to aid these people in meeting their needs by programs of vocational training, education, job placement and other social services. We will all be the beneficiaries.

### **Institutions**

This Administration has labored arduously to seek ways to provide better and more humane institutional care for those who must look to their State Government for help and for those offenders who must be institutionalized and rehabilitated to return to society in a useful capacity. We have made progress, but our efforts have been restricted by the necessity of always seeking to do what must be done in less costly ways.

The problem of providing the kind of institutional care our citizens need and deserve has been studied, restudied, discussed, and debated for too many years! There has been prolonged rhetoric on the need for new and better institutions and for institutional alternatives to prison. Long lists of proposals have been advanced, but they have produced little action—and the blame falls on all of us. Expressions of concern will not develop community foster homes for the mentally retarded. Statements of indignation over existing conditions will not build community correctional centers. The time has come for all of us to face hard, clear reality.

The simple, irrefutable fact is that government and society will never be able to fulfill their enormous responsibilities for decent, humane institutional care until a commitment is made to provide the necessary money. There is no other way!

There are few who would argue that New Jersey does not need new and greatly improved correctional facilities, hospitals, and other institutions. The question that we in government and our citizens must answer is: Are we prepared to make the sacrifice to pay for it?

If the answer is No, then New Jersey must continue to settle for a counter-productive, patchwork, crisis-to-crisis approach in which it cannot and should not take any pride.

If the answer is Yes, there is an excellent starting point for your consideration. The existing State Prison in Trenton is a shame which every citizen of New Jersey must share. Still in use are cellblocks constructed in 1836. Seriously and dangerously overcrowded facilities such as Trenton State Prison breed resentment and despair. Yet, the State has no institutional alternative available. One of the desperate needs this Legislature and the new Administration can address—particularly in light of the State's favorable fiscal situation—is the planning

and construction of a new facility or facilities to replace Trenton State Prison.

This project can be a signal of hope and of humane commitment that this State is at last prepared to face up realistically to its vast responsibilities to the needy, the sick, the disabled and the imprisoned.

At my request, the Commissioner of Institutions has met with a number of municipal officials, particularly the mayors of our major cities, to seek ways to build modern correctional facilities in urban areas. We are told by the experts that inmates should be housed where their families reside to facilitate visits and preserve the family bonds. Work release programs also can be more successful where the jobs are. We agree with the experts, and so do the mayors. Unfortunately, each mayor wants to build it in the other mayor's community.

I recommend to the new Governor that, if he agrees the new centers are critically needed, then the State should pick the locations and funds should be appropriated this year to provide for planning and engineering fees and initial land acquisition.

It is too late for more speeches in this vital area—action is the only answer!

### **Higher Education**

We have made substantial strides in higher education as enrollment in our public institutions of higher education has more than doubled during the last five years.

Under the Independent Colleges and Universities Utilization Act of 1972, we have provided substantial financial assistance to the independent institutions of higher education in this State, while encouraging these institutions to increase their enrollment of New Jersey residents and provide financial assistance to more students from New Jersey.

Despite these efforts, various economic factors have greatly increased the costs of higher education, and it is now necessary to review thoroughly the methods of financing higher education in both public and independent institutions. Particular attention should be paid to the problem of assisting students from families of moderate income. The State also must continue to assess the needs of the independent colleges and find ways of assisting these institutions in their efforts to continue operating in the face of spiraling costs. These independent institutions constitute a valuable educational asset of the entire State, and we must take every reasonable measure to preserve this asset for future generations.

This administration has placed the highest priority on medical education, and we have finally developed the comprehensive system of medical schools necessary to meet the present and future needs of our State. The consolidation of the New Jersey Medical School and the Rutgers Medical School has given us a College of Medicine and Dentistry which is not only providing more physicians and dentists, but is also exercising dynamic leadership in the effort to improve the quality of health care in New Jersey.

The acquisition of two new teaching hospitals for the College of Medicine and Dentistry will enable the college to maintain its leadership in providing better health care services. I recommend that the Legislature allocate a substantial amount of money from the existing surplus for the construction of these hospitals. Such front-end financing will result in a substantial lowering of bond interest charges, reducing the total public expenditure for this project by many millions of dollars, and might well generate contributions from industry and foundations. In addition to improving the quality of education, these new teaching hospitals will benefit all our citizens by providing specialized care and hospital resources not presently available in the State.

We have now finalized plans for the establishment of a third medical school in the southern part of the State. To accomplish our objectives in the most efficient and fiscally responsible manner, this third medical school will be a "school without walls," utilizing the basic classroom and laboratory facilities of the Rutgers Medical School in Piscataway and the New Jersey Medical School's urban campus in Newark, in conjunction with the clinical facilities of selected hospitals in the South Jersey area.

This third medical school will achieve much more than merely increasing the number of medical school graduates in this State. The interaction of the medical school faculty and students with the staffs of the local health care institutions in South Jersey will stimulate and raise the standards of medical care throughout the entire area. The presence of the third medical school will also qualify South Jersey for selection as the site of a new Veterans Hospital already authorized by the Congress.

The Legislature and our citizens should be constantly reminded of the outstanding Chancellor, Board of Trustees, President and Faculty that have directed the consolidation of two separate medical schools into a single, unified and nationally acclaimed College of Medicine and Dentistry. Those in charge have demonstrated a capacity and ability to be entrusted with the future of our State in this all important field. We owe them a lasting debt of gratitude.



## Labor and Industry

The New Jersey economy registered substantial gains in 1973 with employment, personal income and retail sales all achieving new highs. As we predicted last year, the gross state product passed the \$50 billion mark to \$52 billion, with the construction industry turning in a record performance. This is an increase of 11½ percent from \$46 billion in 1972. The Economic Policy Council has forecast that the State's economy will continue to expand in 1974, with a nearly 7 percent rise in total output of goods and services to \$55 billion. Personal income is expected to rise \$3 billion to a total of over \$46 billion in 1974.

Unfortunately, the unemployment rate continues to be too high. The reasons for our high unemployment have been fully explored by the New Jersey Economic Policy Council, the New Jersey Economic Development Council and the Interdepartmental Coordinating Committee on Economic Development. The recommendations made by these entities jointly at the end of the last legislative session are worthy of your early action this year. Particularly, I urge at this time the restoration of the productive machinery tax exemption from the sales tax as most important in our fight against unemployment. Abolition of this exemption was necessary in 1970 because of the dire fiscal plight in which we found ourselves at that time. The State's fiscal posture has since then improved sufficiently to warrant restoration of the exemption. You will recall that restoration of the exemption was one of the recommendations of the Tax Policy Committee on the grounds of equity.

In addition, I would recommend for your consideration creation of an industrial development mortgage program along the lines of our residential program to stimulate the establishment or expansion of job providing industrial facilities.

Finally on the matter of unemployment, I am convinced that our Sports Complex will be the catalyst we envisioned for early development of our Meadowlands, and that this will be of major assistance in reducing the number of our unemployed.

Other recommendations warranting your immediate consideration are those of the New Jersey Workmen's Compensation Study Commission. No more comprehensive study of a workmen's compensation system has ever been done. The New Jersey Bar has reviewed and commented on the Commission's recommendations. I believe these recommendations would improve the lot of our workers and benefit our industrial community, as well.

A study of similar dimension is now urgently required in the area of unemployment compensation. The question of coverage should



be reviewed. Accountability of employers for contributions based on experience must be improved. The criteria for eligibility for benefits also should be re-evaluated. The stability of the unemployment insurance trust fund, itself, must be insured.

In accordance with our policy determination to continue regulation by the State under the Federal Occupational Safety and Health Act, I urge the immediate passage of the successor to Senate Bill No. 2365, introduced in 1973. Passage of this legislation not only will enable the State to retain partial Federal funding of New Jersey's current safety and health enforcement program, but also insure that we will retain enforcement power over the Federal regulations which have been promulgated. Safe and healthful working conditions for New Jersey's labor force are essential.

### **The Cities**

From its beginning, this Administration has been deeply conscious of the grave problems of the cities and the need for State Government to try to assist our urban centers. We have spent four years seeking ways to help, and that effort has produced a doubling of urban aid dollars and expansion of the number of eligible communities; the innovative Safe and Clean Streets Program, and special programs such as the Medicaid Waiver Plan to bring decent health care to the poor of Newark.

Yet, the massive problems of our older cities remain and we urge the new Administration and this Legislature to continue to help ease them. You must understand, however, that there are no easy solutions. You should be wary of proposed answers which appear to be quick and painless. One of these is the expansion of legalized gambling.

While there now appears to be a consensus that gambling is not the answer to the State's revenue programs, some still see it as a means to try to revitalize some of our cities. Gambling will not solve the problems of the urban centers! In fact, it is the nearly unanimous opinion of our top State and Federal law enforcement officials that it would create many new and serious problems, not only in cities where gambling would be located but throughout the State.

## IN THE PUBLIC INTEREST

There are some important matters of public policy touching the welfare of our citizenry which are hard to fit within specific headings in a message such as this. Some are old business in need of completion, some new directions. All are vital.

### Bond Counsel Costs

*Bond Counsel Costs* must be brought into line. In spite of efforts of State and County Bar Associations, the excessive cost of legal fees paid to "Bond Counsel" is still a very real problem in our State. Recent legislation limiting bond counsel to "reasonable" fees has not solved the problem.

Who are "Bond Counsel"? They are lawyers so characterized by the investment houses and financial institutions which buy and sell bonds. And almost without exception they are from New York or Philadelphia law firms. Why are these fees so high? Because these specialized counsel argue with good reason that while time expended and legal expertise are important elements in determining fees, they are more concerned by the personal risk that might result from a legal error involving such large sums of money. And while insurance is available to all lawyers for errors and omissions, bond counsel argue forcefully that hourly rates are inadequate compensation for their services.

I am troubled by fees paid for bonds sold not only by the State and its Authorities, but by its subdivisions — the counties, the municipalities, the school districts. Some way must be found to save the millions of dollars paid in additional fees to outside Bond Counsel.

We are, therefore, after a great deal of thought, discussion and deliberation, suggesting that the Attorney General of New Jersey be legally assigned the responsibility of being Bond Counsel for all State, county, municipal and authority bonds issued in the State of New Jersey. In order to satisfy the requirements of the financial institutions which purchase and sell these bonds, we recommend that when the bonding proceedings in question are approved by the Attorney General, the State of New Jersey guarantee the accuracy of the Attorney General's legal opinions and that the State indemnify against loss, by reason of legal error, those who purchase the bonds. In this way, New Jersey attorneys will be competent in all respects to do the required bond work for all agencies of government they now represent and the outside bond counsel will no longer be required. Services for work by local counsel will be paid on either an hourly basis or by increases in retainers already being paid. And all of the fees will be public knowledge. I would believe

that the Attorney General can perform these additional duties with a relatively small increase in professional staff and all the taxpayers of New Jersey would be the ultimate beneficiaries.

Lest there be a hue and cry, let me point out that under R. S. 18A:24-30 the Attorney General now must "approve the legality" of all bonds authorized by Type II school districts. And since sovereign immunity has been eliminated, it is obvious that the State can be sued by anyone who suffers loss by reason of any legal error.

In view of this statute, one must question why any Type II school district presently requires outside bond counsel.

If it is the will of the new Legislature and the new Governor, I am convinced that this costly practice can be improved to the benefit of our citizens. The suggestion is ours, but the challenge is yours.

### **Executive Reorganization**

*Executive Reorganization* is a subject requiring attention. We have tried to communicate to the new administration many of our thoughts on this and believe the Governor-elect will be asking your aid in reorganizing the Executive Department. We urge you to cooperate. The existing structure of the Executive is simply not adequate in its present form to handle the numbers of complex responsibilities delegated to it. While most of the specifics of a new format should be left to future administrations which will have to work within it, there is one upon which I feel compelled to comment because it has been treated with some partisanship in the past. New Jersey needs a Lieutenant Governor. Those who follow me should not be denied this critical need.

### **Right to Know**

The Attorney General has completed an exhaustive review of the right to know statute and will soon report on it as we requested in our last annual message. I commend this report of the Attorney General to your attention and hope that you will act upon his recommendations.

### **Statutory Revision**

Related to the right to know problem is the need for much statutory revision. Even given an open door to governmental operations, the average citizen measuring the conduct of public officials, and, indeed, his own conduct or proposed action, against policy and standards set legislatively, has nearly an impossible task. Many of our statute books, in their present state, are simply too difficult to use. In many cases, provisions remain on the books although they have been superseded or

rendered meaningless by subsequent legislation, judicial decisions or reorganization plans. In addition, each year the Legislature passes many special acts designed to relieve a particular individual or governmental unit from strict compliance with the provisions of the general statutory law.

I recommend that the Legislature closely examine the continuing need for such special and local legislation and whether the very number of these special acts indicates the need for a change in the general law where necessary. Second, I recommend that the Legislature, through existing committees and commissions dealing with law revision, address the problem directly by codifying and simplifying our present statutory law and repealing outmoded and superseded provisions.

I hasten to acknowledge the great contributions of your legislative staff in this area, with full realization of how much worse our problem would be without their expertise and dedication. I suggest, however, that higher priority must be accorded to this effort by providing more staff and resources as necessary.

The Division of Motor Vehicles has just finalized a complete revision of Title 39 dealing with motor vehicles. This comprehensive revision will enhance New Jersey's position nationally in terms of compliance with uniform traffic regulations. I urge your action on the legislative drafts which have been prepared for submission to you this year.

### **Election Law Revision**

One specific area of law in need of major review and codification because of piecemeal and sporadic legislative changes in the past is the election laws. One starting point could be the enactment of a bill providing for a procedure to fill legislative vacancies by appointment until the next general election. When a vacancy occurs, the public represented should be spared the very large expense of a special election, but should continue to be represented in the Legislature until it can select a successor.

### **Conflict of Interest**

We have created a comprehensive and strict conflict of interest statute. It is not without its faults, however, and deserves further review. It should be noted that it is applicable only to elected and appointed officials serving the state government, and too few municipalities and counties have imposed similar safeguards upon employees at those levels.

### **Full-time Officials**

Closely related to the problem of conflicts is the question of appointive officials serving in sensitive areas on only a part-time basis. Our recent initiative in requiring Public Utility Commissioners to serve on a full-time basis was a giant step forward.

The public interest is equally compelling in requiring a full-time tax court or at least full-time judges of taxation to replace the part-time judges in the Division of Tax Appeals. Strong policy arguments for this measure, in addition to the potential for or the appearance of conflict of interest, appear in the report of the Tax Policy Committee. The workload of the Division has continued to escalate. Decisions involving millions of dollars to industry, communities and taxpayers are delayed for years. Here, justice is delayed to the point of denial. Years after the fact, a municipality and its unhappy taxpayers can discover that they have overcharged a particular industrial taxpayer or an industry can discover that it has underpaid its corporate tax liability. For all these compelling reasons, the bill which last year passed the Assembly and died in the Senate must be enacted into law.

### **Professional Boards**

There are 23 professional boards and commissions in the State of New Jersey, 19 of which license members of professions. Most of these boards remain controlled by members of the professions and occupations they license. In many ways, this is an asset. Indeed, it would be inconceivable to have a professional board with the power to license practitioners and regulate the profession without having represented the expertise of those within the profession. Nevertheless, these boards serve in the public interest and consequently, the public interest must be paramount.

I, therefore, recommend that these boards contain a majority of public members, but with sufficient members representing the profession in order to have their advice and counsel. This task was begun well in this Administration on the initiative of a legislative commission chaired by Senator Bateman. It is essential that those recommendations be expanded and then legislatively implemented.

Finally, many boards and commissions were created many years ago and I am not certain all are still necessary. I recommend a thorough study to determine if any of them can be consolidated or even eliminated.



## OF THE HIGHEST PRIORITY

As I have indicated, we have suffered defeats in a number of areas of the most crucial importance to the welfare of our citizens. I reiterate, however, that these were not failures because our efforts forced these critical problems into the full glare of the public spotlight.

It is our fervent hope that the new Administration and this Legislature will take up the challenges to seek meaningful solutions in tax reform, financing of public education, housing and mass transportation.

## TAX REFORM

It was in this Chamber, late on the evening of July 17, 1972, that this Administration suffered its most disappointing defeat. It was a bitter one, and there is no pleasure in its recollection; but it should not be forgotten by you or by me.

Our efforts started promisingly enough. There was virtual unanimity among leaders in public life, political, professional, business, and labor alike, that reform of our tax structure was essential; that something had to be done about the ever-increasing real property tax. Because tax reform is a very complex and sensitive subject, I appointed a Tax Policy Committee consisting of 40 outstanding citizens representing all the various geographical, political, economic, and social components of our State. After two years of intensive study, research and public hearings, this Committee issued a comprehensive report on the inequity of the present tax structure, and the need for sweeping reforms. Based on this report, I presented to the Legislature a master plan for tax reform, along with 60 bills to implement the plan.

The most important of the proposals called for the State to assume the responsibility for the operating costs of our public schools, county courts, welfare systems, and certain other essential services now financed by local governmental units. To pay for these increased State services, the plan proposed a broad base plan for Statewide taxation, including a personal income tax at half New York's rates, a one dollar State property tax, elimination of certain sales tax exemptions and increases in the corporation, business, personal property and bank taxes. These tax reform programs would have resulted in a substantial reduction in the local property tax and a more equitable distribution of the tax burden among our citizens. The State income tax was, of course, a keystone of the program.

I said then, in May of 1972, and I repeat now, that New Jersey "does not need an income tax to operate State Government." I said



then, and can repeat now with even more conviction, that "existing programs can continue to be financed to supply *the same quality* of service to our citizens as we are doing today without an income tax to balance the State budget." Our present excellent fiscal condition as a State, proves the accuracy of those statements; but at the same time there has been no reduction in real estate taxes and in many municipalities there have been, in fact, substantial increases.

Today, we do not have a personal income tax! And in that fact some of our political colleagues take pride. But, my friends, we have not yet reduced the property tax in New Jersey and we have not satisfied the mandate of our Constitution to provide for each child under 18 years of age a "thorough and efficient education." We have not yet provided the patients in our institutions the kind of care they deserve. Our municipalities continue to struggle with the cost of welfare, which, if it cannot be treated as a national problem, ought at least to be treated as the State's problem, rather than that of our beleaguered cities. Our counties continue to pay the costs of a significant portion of a judicial system, which is more properly the burden of State Government. These costs continue to be translated into an ever-increasing property tax and as a result, the elderly are being forced from their homes, young married couples are still unable to acquire homes and the property tax is going even higher, as we warned it would in May of 1972. We have had a respite—a deceptive one—the benefit of revenue sharing—but the truth of the prediction made in May of 1972 will hit home hard when local tax rates are struck this spring: "*We do not need an income tax . . . so long as the real estate tax continues to pay an ever-increasing share of the cost of government in New Jersey.*"

No, we have no income tax. We still have a tax structure in which our lowest income residents contribute over 19 percent of their income to support State and local governments, while those in the \$25,000 and up income brackets pay but 5.4 percent of their income in support of State and Local government.

Is there a member of this Legislature who believes that to be just?

Is there a member of this Legislature who believes real estate taxes should continue to rise?

What has happened? What programs have been offered by the critics of the 1972 Tax Reform program? Who has come forward with a realistic proposal to bring equity to our tax structure? Indeed, the most vocal of our critics have remained remarkably silent and I have heard no plan, even under study, that seeks to reduce the real estate tax in New Jersey.

Like most battles, the loss is greatest in the first assault and many of us suffered personally as a result of our effort -- but we were right then and, while many describe it as our worst defeat. I believe it was our finest moment! And we were joined by the bold and brave in both parties and by a majority of the press and media.

Now the war is yours or the new Governor's to continue or to forget. You have, as I see it, three alternatives:

1. Continue "as is" with unjust and escalating real estate taxes paying the major cost of government
2. Accept the recommendations of the Tax Policy Committee with reasonable and acceptable amendments.
3. Present a new plan to reduce real estate taxes in New Jersey.

The challenge and the decision now are yours.

## Education

Of all the important issues which face this new Legislature, none is more pressing than the task of devising a new method of financing public education.

A few weeks after I took office as Governor, I delivered a special message to the Legislature dealing with the problems and opportunities facing this State in the field of education. I noted that the present system of financing public education had become out-dated, and suggested that the time had come for the State to assume a more important role in meeting the expenses related to public education.

There is no need to remind you of the tremendous burden that the present system of property tax for school purposes places on home owners in this State. In 1972 we submitted to the Legislature a series of bills which would have revolutionized the public school financing system in this State. Basically, this legislation would have required the State to assume responsibility for all of the operating costs of public education, and these costs would have been financed through broad-based statewide taxes. These proposals were, however, closely interrelated with the tax reform proposals, and could not possibly be enacted in the light of the Legislature's rejection of tax reform.

The problem of financing public education has become even more critical in light of the New Jersey Supreme Court's recent decision in the case of *Robinson v. Cahill*. This Legislature is now under a judicial mandate to develop a new system of educational financing before the end of this year. It is a task which will demand all of your ingenuity and all of your political courage.

The Bateman formula for providing State aid to local school districts is a vast improvement over the State aid program which existed when this Administration took office. It is, however, obvious that the Bateman formula is not the final solution. I am still firmly convinced that it is necessary for the State to assume fully the responsibility for all of the operating costs of public education. In addition, the Department of Education has recently begun a survey of the physical facilities throughout the state devoted to public education. I am sure that when this survey is completed, it will reveal a pressing need for increased State assistance for local school building and repair programs. Improved educational facilities cannot, of course, insure quality education. It is certain, however, that no educational system can be completely successful without a suitable environment for learning.

The Constitution of this State commands that the Legislature shall provide every child with a "thorough and efficient education". The State Department of Education is now in the process of developing a workable definition of "thorough and efficient", so that there will be a standard against which to measure compliance with the constitutional mandate. In the process of developing these standards, we must never settle for mediocrity. Every citizen of this State deserves a quality education, one suited to his personal needs and desires, and one which will equip him with the tools necessary for making a living and being an active and informed citizen.

The Constitution mandates that the Legislature provide public education for all children between the ages of 5 and 18 years. I feel it is essential to give special consideration, however, to the educational problems of disadvantaged and handicapped children. The education of these children must begin as soon as their special problems are recognized. The Department of Education is presently conducting a pilot program for education of pre-school-aged handicapped children, and I believe that this program must be extended to every handicapped child in this State. It is a program that deserves a high priority.

We must also continue to improve our system of vocational education at all levels. The Legislature and the Department of Education should carefully evaluate the 4th Annual Evaluation Report of the New Jersey Advisory Council on Vocational Education and the recommendations made in that report. Greater emphasis should also be given to environmental education, an area which has expanded dramatically since 1971, when I signed the first State Environmental Education Act in the country. Consideration should be given to the establishment of an Office of Environmental Education to carry out Phase II of the State Master Plan for Environmental Education.

The Legislature should continue to address itself to the pressing financial problems of our non-public schools. Since the Federal Courts have invalidated New Jersey's highly successful program of assistance to non-public elementary and secondary schools, some constitutionally permissible way of ensuring the continued existence of these valuable educational assets must be found.

Most importantly, we must find the answer to our school failures, our drop-outs and our problem children. No child wants to fail, to leave school or to get into trouble. Usually the cause can be found and most times, if discovered at an early age, the problem can be solved. The principal challenge for educators is to find the cause at the earliest date and begin to solve the problem.

Pre-school testing in all areas is essential; continued evaluation and remedial action is required. We have said repeatedly that our youth is our most precious resource. They deserve our very best.

### **Housing**

For many years, New Jersey has been afflicted by a serious shortage of suitable housing facilities for its citizens. During this Administration, I have brought this problem to the attention of the Legislature on numerous occasions, and I devoted two special messages to the housing shortage.

We have acted decisively to alleviate this situation, and our efforts have, indeed, produced some results. The Housing Finance Agency has helped to finance 60 housing developments since its inception, almost a third of which were specially designed for senior citizens, who are among the hardest hit by spiraling housing costs. In fiscal 1972 alone, the Agency committed funds for 5,217 housing units for moderate income families. The Mortgage Finance Agency, established in 1970, has provided more than \$263 million to supplement the mortgage lending system of our State. This money will help finance over 14,500 units of housing for citizens of all 21 New Jersey counties.

This administration has also acted to help preserve the existing housing resources of the State, especially those located in our urban centers. The Department of Community Affairs has continued to review and strengthen its code enforcement procedures in an effort to conserve and upgrade this urban housing supply. In addition, the Department has instituted a demonstration project under which the State, together with the municipal government and private lending institutions, helps finance repairs necessary to bring a dwelling unit up to code standards. Finally, the Urban Aid and Safe and Clean Streets



Programs have helped to upgrade municipal services in the urban centers, thus helping to reverse the process of urban decay.

Nevertheless, the battle to overcome this housing shortage is far from won.

Any long-term solution to the housing crisis must involve a substantial revitalization of the existing housing facilities in our urban neighborhoods. The Legislature and the new administration should give careful study to the concept of urban homesteading as a way of returning private investment to urban residential areas, but this must be combined with an intensive neighborhood improvement effort by the cities, with cooperation and financial support from the State.

This neighborhood revitalization program should focus on areas containing a substantial number of residential structures which have been abandoned and are in a hazardous condition. Last year I placed before the Legislature a proposal which would give municipalities the power to bar the right of redemption and obtain clear title to such abandoned and hazardous structures much more quickly than is possible under current law. I recommend that this legislation be promptly adopted, so that municipalities can deal quickly and effectively with abandoned structures.

I also recommend legislation to permit municipalities to form neighborhood revitalization corporations to take title to abandoned residential properties and oversee the rehabilitation of these housing units. These corporations should concentrate on individual, well-defined neighborhoods which, because of their location and the percentage of abandoned or dilapidated housing facilities, are well-suited to such a revitalization program.

Properties which have significant actual or potential value should not be given away to private parties under this program, but the municipality and the State should provide financial assistance and short-term tax abatement to those who are willing to invest their personal finances and efforts in revitalizing a structure in one of the target neighborhoods. To deal with abandoned multiple-unit dwellings, there must be a concentrated effort to encourage mutual ownership through non-profit corporations, which would take over the structures and make them again suitable for residential purposes. While this neighborhood revitalization program cannot be expected to restore all the abandoned housing in our cities, it will restore viability to the target neighborhoods and, thereby, attract private investment in further rehabilitation.

Solution of the housing crisis requires a readily available and dependable source of financing for residential purposes. I urge this Legislature to study in depth the causes of the current shortage of residential mortgage money and the ever-increasing interest rates necessary to attract investments in the mortgage market. The State must do whatever is necessary to stabilize the mortgage market and make lending institutions live up to their obligation to serve their communities and the public interest by investing in the mortgage market, even though higher profits are available elsewhere. I doubt that this can ever be accomplished on a voluntary basis, however, as long as the federal government continues to outbid all other borrowers in the short-term dollar market.

Finally, I believe that the housing crisis can never be solved totally until the Legislature addresses itself to reform of the present building code, zoning and planning systems.

In 1972, I put forward a comprehensive legislative proposal for dealing with the critical shortage of housing. One of the keystones of this proposal was adoption of a uniform statewide construction code, which, in my opinion, would lead to greater efficiency and economy in the construction industry. I still firmly believe that a statewide construction code is an essential ingredient of any program to alleviate the housing shortage.

The second major ingredient of our housing proposal was the Voluntary Balanced Housing Plan Act, which would encourage municipalities to take positive action toward alleviating the housing shortage and provide an orderly and reasonable approach to planning for and meeting the pressing housing needs of our State. The third essential component was the Community Planning Law, which would replace the current patchwork system of laws and judicial decisions governing municipal, county and State planning and strengthen and streamline the local planning process.

The concept of local control over zoning and planning is in great jeopardy. Recent judicial decisions, both in this State and elsewhere, have made it clear that the courts will not hesitate to intervene if the zoning and planning systems are not made more responsive to the need for housing. If the Legislature does not act in the very near future to streamline and modernize local zoning procedures and provide a positive plan to meet the housing needs of all segments of our society, the judiciary will be forced to step in and strike down the present restrictions on housing construction. The unfortunate result of legislative inaction could be the destruction of local control over zoning and planning.



I did not hesitate to propose a plan of action in this politically controversial area. Unfortunately, the last Legislature not only failed to act on my proposal, but also did not come forward with any alternative solutions to this pressing problem. I urge this Legislature to meet its responsibilities in this area.

### **Transportation**

We have accomplished much in the area of transportation and many needed projects have progressed to the point where the fruits of our efforts should soon be realized—the extension of PATH, the 1,800-bus purchase program, completion of I-80 and the opening of I-280, the Woodcrest Station project, the electrification of the Erie Lackawanna. Nevertheless, the area of transportation has proved frustrating because so much more must be accomplished.

The major impediment to progress in improving our commuter rail system, the bankruptcy status of the railroads, still exists and the inflationary spiral which is causing severe financial distress for our regulated bus and rail carriers continues unabated. These problems are national in nature and largely beyond our control. Only the federal government can provide solutions.

While the federal government has so far failed to solve these problems, I made two proposals which, if put into effect, would have had significant impact in alleviating the transportation crisis facing New Jersey.

The New Jersey Transit Authority, if it had been approved by the Legislature, could presently be at work achieving its primary goal of developing and improving rail, bus and marine mass transit facilities in New Jersey. This authority would have harnessed the energies, expertise and surplus funds of the State's toll road authorities and applied them to create a truly coordinated public transportation system for New Jersey that would provide a viable alternative to the automobile.

The 1972 Transportation Bond Issue, as proposed, would have provided \$650 million to improve our transportation system. Unfortunately, it was rejected by the voters.

The failure to approve the Transit Authority and the rejection of the Transportation Bond Issue highlight the critical needs of New Jersey in the field of transportation.

First, it is literally impossible to plan properly a program of construction to meet present and future transportation needs unless

there is some reasonable assurance of a continuing source of funds. Second, the State needs an agency in the field of public transportation that can concentrate its efforts on major improvement projects, such as the electrification of the New York and Long Branch Railroad.

At present, the State has neither. Until these two needs are met, New Jersey will not be able to achieve a balanced and coordinated transportation system. While my proposals are not the only solutions to these problems, they are viable solutions, which I again commend to your attention.

There are other transportation issues which the Legislature will be required to address in the months ahead. Of particular importance will be the Northeast Rail crisis and the transportation aspects of the energy crisis.

For years the focal point of the State's efforts in public transportation has been on the commuter services of our railroad system. In the coming years, it will be necessary for the Legislature to act to preserve essential freight service. The bill recently passed by Congress to rationalize the rail system in the Northeast calls for the designation of a "CORE Railroad" system, which will be made up of lines that are potentially profitable. Some of the lightly used branch lines will be jettisoned from the CORE railroad. If some or all of such branch lines located in New Jersey are to be preserved for present or future operation, it will probably be necessary for the State to purchase or lease the rights of way and to pay part of the cost of subsidizing losing freight operations. Some very difficult decisions will be required since abandonment of a branch line may threaten the very economic life of a community and its citizens. And even if an abandonment will not have such an immediate impact, loss of rail service may mean the loss of potential industrial development.

We anticipated these problems and actually provided \$75 million in the 1972 Transportation Bond Issue to purchase railroad rights of way that are abandoned. In addition, we initiated vigorous efforts to consolidate four of our bankrupt railroads through elimination of duplicative rail facilities.

In light of the energy crisis, the Legislature will be faced with the re-evaluation of the State's plans for highway construction to determine if it would be better to concentrate the State's fiscal resources on a massive effort to increase the capacity of our public transportation system. This is not to say that all highway plans should be discarded. Good highways will continue to be necessary. We can, however, provide a viable alternative for many of our citizens and, thereby, reduce use of the automobile to a significant degree.

Other legislative measures can be helpful in conserving fuel. I recommend that you consider a fare reduction program to encourage our citizens to leave their automobiles at home. It could be patterned after our senior citizen half-fare program approved last year. I also recommend that you consider legislation which would authorize downtown loop bus service. Under this concept, smaller buses would be utilized to provide our citizens with transportation within a municipality, particularly in shopping and commercial areas.

As in most areas of government, dramatic changes are required in the entire field of transportation. New concepts such as the Lindewold Line are absolutely essential. We cannot operate in a 20th century society with a 19th century philosophy of transportation. New Jersey has been a leader in the effort to bring about national change and leadership. The time is NOW for Federal action!

### THE FUTURE

In two years, we will celebrate the 200th Anniversary of this great nation and of the adoption of New Jersey's first State Constitution.

Since much of the American Revolutionary War was fought on the soil of our State, we have a special obligation to make the Bicentennial celebration a deeply meaningful one. I am pleased to report that the New Jersey American Revolution Bicentennial Celebration Commission is off to an excellent start.

One of the focal points of that celebration will be the development of Liberty Park in Jersey City, which will be a major catalyst in far-reaching plans we have outlined in previous messages for revitalization of one of New Jersey's most important resources, the Hudson Waterfront.

As we look forward to the Bicentennial, we must be mindful that it is the obligation of government not only to remember and enshrine our heritage, but to fulfill its promise for future generations. There can be no finer monument to the Bicentennial observance than for government to address itself to the critical needs of the present and to plan for the future of New Jersey.

In this most urban of States, critical choices must be made as to the kind of future New Jersey should seek. There is a vital need to develop a clear, coherent and most of all, a balanced, response to pressing economic, social, and environmental needs.

In view of the ever-increasing impact State Government has on the physical development of the State, it must be able to coordinate and reconcile its diverse interests. Accordingly, I established the State Planning Task Force by executive order and it became operational in 1973. I am confident that the new Administration and this Legislature will recognize the need for such State planning and support this group in its efforts.

To help guide the critical choices that must be made in all areas of the State, both public and non-public, a Special Advisory Council on the Future of New Jersey was recently appointed. Its outstanding members represent a broad cross-section of the entire State. They will submit to the new Governor and this Legislature their recommendations on the kind and degree of development of the State that will produce the highest quality of life for this and future generations. I am confident you will give them your most enthusiastic cooperation and provide them with adequate funds to accomplish their important assignment.

Working together, the State Planning Task Force and the Council on the Future should present to the new Governor and this Legislature a plan of orderly growth for implementation that will preserve and improve New Jersey for our citizens.

### CONCLUSION

The temptation is great to prolong this farewell by a sentimental journey through the past, but that would serve no useful purpose. The past is prologue and our citizens are understandably interested in the present and the future — and that is in your hands, not mine.

I cannot close this message, however, without reminding you and our fellow citizens that we have much to be thankful for in this State and this nation. In these days of a crisis of faith in government at all levels, the critics abound — not only pointing out individual failures but even suggesting that a new and better system of governing our people must be found.

All of us recognize that criticism is an essential, healthy input into the workings of government — so long as it builds and does not destroy; seeks to correct, not to confuse. I would urge you to continue the fight against mediocrity and towards excellence and warn you not to be deterred by critics who offer only negativism. We must not lose confidence in our democratic system of government, which Churchill once described as "The worst form of government, except all others."

As I have tried to outline in this message, there are great problems for you to solve. Mindful of the temptations in political life to take refuge in the status quo or to seek the easy and popular way, let us believe with Robert F. Kennedy:

"Democracy is never a final achievement. It is by nature an ever-changing challenge, a call to untiring effort, to renewed dedication, to new goals to meet the needs of each new generation.

"We know full well the faults of our democracy — the handicaps of freedom — the inconvenience of dissent. But, I know of no American who would not rather be a servant in the imperfect house of freedom than be a master of all the empires of tyranny."

Let us all, Republicans, Democrats, and Independents, become dedicated servants in this imperfect house of freedom.

Let us be doers and not critics.

In this way, together we will continue to progress and improve the lives of our people.

My farewell, therefore, is a simple "thank you" to all citizens of New Jersey for permitting me to hold the Office of Governor and to wish all of you and, in particular, Governor-elect Brendan Byrne, great success and happiness in the days ahead.

As I return to private life, I can repeat with sincerity the words of Jefferson:

"If, in my retirement to the humble station of a private citizen, I am accompanied with the esteem and approbation of my fellow citizens, trophies obtained by the bloodstained steel, or the tattered flags of the tented field, will never be envied. The care of human life and happiness, and not their destruction, is the first and only legitimate object of good government."

As the past four years hopefully demonstrate, we have tried to be doers in providing a better life for all our people—and I would hope that you who follow also will "dare to do."

Time and history will judge the success of our efforts and of yours.

Good-bye and God bless you.