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In Case You Missed It: Governor Chris Christie - "I Am Going To Do What Needs To Be Done."

Thursday, March 11, 2010 • Tags: [Budget and Spending](#)

Governor Chris Christie and Mayor Scott Alexander held a conversation with town officials and community leaders on Tuesday, March 9, highlighting Haddon Heights' success in finding ways to do more in government with less.

Watch all four parts of the Governor's conversation by clicking on the hyperlinked titles or pictures below. A complete transcript of all four videos is provided below the screen grabs.

You can also watch the Governor's other videos on his YouTube Channel at www.youtube.com/user/GovChristie.

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Full Transcript of Governor's Conversation

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Governor Christie: A Budget Conversation Part 1 of 4

This is going to be a budget that is going to be unlike any other you've probably seen in NJ in at least the last 20 years and maybe longer. The reason for that is because we've been building to this budget for 20 years. We've been building this budget in a number of different ways and probably ways that you can relate to here in Haddon Heights in terms of what went on in your municipality.

Expenses at the local level, the school board or the municipal level, in the county level to some extent have continued over that period of years to rise. Now there's two ways of course to deal with that and NJ has, or 3 ways really, and NJ has taken 2 of the ways to deal with it. One you see property taxes continue to rise over the period of time across NJ and some greater amounts than others depending upon the years and to pay for these services. But that increase of property taxes alone was not enough to pay for what we were spending.

So what the state's engaged in over the past 20 years is use of both state direct aid to K-12 school districts and state aid to municipalities and counties to paper over these problems to make the a little more palatable for people. So now you have a situation where last year's budget fully a third of the state's spending was done on just K-12 school aid, that's literally just collecting income taxes from all of you, and turning around and writing checks back out to school districts just really being a conduit, and a conduit that took that money in, in one proportion and sent it out in a completely different proportion.

Now part of that is because of court rulings regarding Abbott school districts and the disproportion of funding that

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they've required from the state but the fact of the matter is that's what we've done. And we've done it to paper over the problem of increasing cost in our school systems and increasing costs in our municipalities. That's been through things like COMPTRA aid and other direct municipal aid that we've continued to shove out to municipalities. In doing it this way, we've had to continue year after year to increase income taxes, sales taxes and corporate business taxes what in the budgeting world we are now calling the big three in Trenton, income tax, sales tax and corporate business tax which are the three main drivers of income to the state.

We've just gone through the roof on those taxes. Think about this, when Governor Byrne instituted the income tax in 1977, the top income tax rate was 2.5%. When Governor Corzine was leaving office it was nearly 11%. We now have a sales tax that is 7%, among the highest in the country, we have a corporate business tax that's in the top 10 in the country and when you combine that with our property taxes and our other taxes we are now the champion, and this is one you don't want to win the championship but we have, of the most over taxed people in America.

This is all been in large measure to feed the growth of government both in Trenton but even more so the growth of government on the local school board municipal level since most of our money goes out the door in that way.

So now we are confronted with a situation where we have an economic recession, where NJ has been disproportionately affected by that recession because of our enormously high taxes. So people are not only going out of business because of the recession, those who are staying in business many of them are leaving the state, to go to places like right across the river here in Pennsylvania, where the top income tax rate is 3%, rather than, nearly 11% under Gov. Corzine and now because the lapsing of one tax about 9% as our top rate.

So now we pay triple the rate on income taxes that the state of Pennsylvania does and so why would people stay, especially people in this region of the state? If they can go over, I will tell you now being in Trenton for the last couple of months, you do not want to get anywhere near those bridges, going over the Delaware river at 4:30-5:00 because people are steaming, from working in NJ over to Pennsylvania to pay that lower tax rate to pay that lower property taxes.

So we are now confronted with a situation where because of our high taxes over the last 4 years 70 billion dollars in wealth has left the state of NJ, 70 billion dollars in wealth have left NJ in the last 4 years. **Small businesses and large, wealthy individuals and middle class individuals have left this state because they simply can't afford to do business here anymore.**

So this has been a double whammy for us, not only are we suffering the economic recession that everyone else in the country is suffering, but we have imposed upon ourselves because of our out of control tax rates, we have imposed upon ourselves an additional problem which is we aren't even attractive to those who are doing successful business right now.

And really the people who remain who are sitting here right now, the people you represent who are sitting in this room and the people across NJ are the people who really are just here because they love our state. Because from a business perspective they could go elsewhere and do significantly better, just from an expense perspective.

So this is the situation I'm confronted with when we come into office and we are coming into office and being told that Governor Corzine is leaving us with a \$500 million surplus, that's really good news, except when you get there on the 19th and you open the books and you get this surprise, it's really a \$2.2 billion budget gap.

And so we took initial very aggressive first steps to say we are going to freeze \$2.2 billion worth of spending immediately.

We needed to do that because as you know every day that goes by more money goes out the door, more payroll and of the \$14 billion dollars that was left for us to spend in the rest of this fiscal year, \$8 billion of it we couldn't touch, it's either debt repayment or pay according to contract with union members or other contractual obligations we have with the federal government because we took a lot of stimulus aid and as a result we made an agreement to keep things funded at a certain level, so we don't have the option to cut it at that point.

So that left about \$6 billion left to fund about \$2.2 billion in savings. It's very kin to the situation and some ways even worse than the situation you found of \$500,000 on 7 million.

So we had to act quickly and we did, and we froze \$2.2 billion and we are moving now towards a budget for the end of this year which ends on June 30th that will be in balance and will hopefully carry a surplus of \$500 million into the next year, fiscal 11, for us to be able to help with the problems we have next year. Now even with, assuming a \$500 million surplus being carried over into next year both the Governor's Office, the Treasurer, and the Office of Legislative Services which is the non-partisan group that serves the Legislature and does budget analysis, among other things, agree that the budget deficit projected for fiscal 11 is \$11.2 billion. Now to put that in context the entire state budget last year was just a shade under \$29 billion.

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So we're talking about a budget that is a third in deficit, as we project forward. How's this happen? Well, a continuing decline in revenues, and a continuing assumption of increase in spending. And so for instance, there's certain spending that we have difficulty controlling. Medicaid for instance. Medicaid is projected next year to go 19% higher.

Now why? Well, some of it is about us not controlling expenses as well as we should. And we're going to do much better on that, but even if we do that, we have more people laid off, more people becoming unemployed and using their health insurance. You have more people that are going to come out to Medicaid, and the expansion of the number of people on Medicaid is going to push growth. And so, while there's some things we can do around the margins there, there really is not a whole lot you can do because you're going to be providing people with at least some measure of health care, through the Medicaid program, and state pays for 50% of that and the federal government pays for 50% of that.

What else is going on? Well, you know, we have a situation, where last year, aid to education, that's K through 12 education, a billion dollars of that aid that went out last year, somewhere close to 9 billion dollars, was one time federal stimulus money. Not coming back. I was with the president three weeks ago, one of the things he definitively said is, "that kind of aid is not coming back." So, you immediately start with a 1 billion dollar hole in your K through 12 education budget, in a time with a state of declining revenues.

In addition, we spend about another 700 million of one time money. You may have read about some of it, New Jersey Transit last year got about 160 million dollars in one time stimulus funds. Well what did that do? That helped

Governor Corzine push off the inevitable, which was a fair increase. So in election year, he used 160 million dollars of that money in one shot to push off a fair increase. So what do I confront this year? 300 million dollar deficit in New Jersey Transit. 300 million dollar deficit in New Jersey Transit.

So, you know, I heard a member of the assembly, a week or two ago, say, "this is outrageous that we're increasing fares in New Jersey Transit. I don't think there should be fair increases, I don't think there should be service cut backs, and I want the state to keep the subsidy at the same level it was before." I said to myself, man I should have made this guy the treasurer, 'cus that's a miracle if we could actually make that happen. I mean, there's lots of things I'd like to do too, expect I don't know where I'm finding the money to do it. And so, there hasn't been a fair increase in NJ Transit in three years, since January 2007, and there needs to be a fair increase. Not 'cus I want to have a fair increase in the NJ Transit, and not because I think hard working people that are trying to get to work and are taking our buses and trains should have to pay more, but because we got a 300 million dollar deficit to fill. And my view is the state will continue to subsidize a very large amount of NJ Transit's budget, well over 45% of NJ Transit's budget will come from direct state subsidy.

So do we need, as we continue that subsidy, to also ask the users of New Jersey Transit to pay more? You know, we're hit with a whammy at New Jersey Transit; 4% decline in ridership, because of more people being unemployed, increase in the contracts to workers there, which we'll get back to, and at the same time you're having an increase in fuel costs and other things that drive the costs of New Jersey Transit to a 300 million dollar deficit. What else do we confront? We got 1.7 billion dollars there in one time stimulus funding that is not coming back.

So you start to add up the numbers to 11.2 billion, and you know that every program in state government is going to have to be up for consideration, and in fact, probably for cuts. That's going to affect everybody, this is going to have to be a shared sacrifice by everyone. Because in the end, in my view, raising taxes is not an alternative any longer.

We just talked about how uncompetitive we are in NJ because of our high tax rates, and you have some that will say to you, "just raise taxes again like governor Corzine did, take that rate back up to 11%, 'cus its easy to say, "Well it's just rich people. People that make over \$400,000 a year." Expect the problem is in New Jersey, that, that individual tax return is also used by most of your small businesses. So for those of you who own small businesses in the room, or know people who do, if you have an income in your small business, not a profit, an income, of 400,000 or more, and you file it through the personal income tax return, that raises small business taxes. Why would we ever want to raise taxes on small business, at a time when we want small business to be spending their money to create jobs to put people back to work?

In addition, business is going to get a big tax increase come July 1st because, here's another problem that we have to deal with this year, the unemployment insurance trust fund is broke. It's 1.6 billion dollars in debt to the federal government. Why? Because over the course of the last dozen years, Republicans and Democrats, both as Governor and in the legislature, have stolen over 4 billion dollars from the unemployment insurance trust fund. Now, Governor Kean set this up, it was a great concept when he did back in the 80s, he said, "we'll charge a certain amount of the unemployment trust fund, employers and employees pay in together, and during good times we'll build up a huge surplus in that trust fund, which is not to be touched, and then, when we get bad times, we will have that money to draw on to pay to our citizens who have paid into the fund.

Well, what happened? **What happened was the folks in Trenton, addicted to spending, papered over the problems we talked about before, took the money. Said, "we'll deal with it another day." Well guess what, today is the day we have to deal with it.** Because we've borrowed 1.6 billion dollars from the federal government, and that's ongoing, just to pay for the unemployment benefits that our fellow citizens are collecting right now. And I think we all would agree they deserve to collect them. They paid into the system. They paid taxes along with the employers. But, if we don't do something to fix the system now, those employers both small/large business, some of them will pay a tax increase on July 1st as high as 225%, because it's all by formula. If you're this much in deficit, you have to raise taxes this much. Governor Kean did that because he knew that politicians wouldn't have the will to raise the taxes as much as they would need to make the funds solvent, and he wanted to funds solvent, so he put in an automatic system in. Now we have to face that, and that's why I've suggested some ways to fix the program that's shared sacrifice.

For any new employees who have become unemployed not people who are on unemployment now, after the start of this law, they will get \$50 less a week in unemployment benefits; so that the \$600 a week maximum will be \$550. At the same time, they will have a one week waiting period before they can collect benefits. Not one week less of benefits, they would still be entitled to 26 weeks, just wait a week. That, combined with also raising taxes, 17% of employers, on average, would bring the fund to solvency quickly over the course of the next couple of years. Now just so you understand how rich New Jersey's benefits are, at \$600 a week, we give the second richest benefits in America. At \$550 a week, we give the third richest benefits in America.

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So, I heard all this stuff when I announced this plan about how draconian it was and how awful, and in fact you had one leader in the legislature call me immoral for proposing this, immoral. For going from the second highest benefits in America to the third highest benefits in America. And posing a 17% tax increase on employers that would be ongoing for the next four years. I am just trying the fix the problems. Now I'd love to be Santa Claus and be able to say don't worry about it we'll find some other way to fix the unemployment trust fund, but I can't be. And the federal government is going to stop lending us money at some point. And our folks in this state, who pay into that system deserve to get their benefits so they can help to pay their mortgage, pay their property taxes and stay in their homes. So until they find a new job, they can at least stay where they live, and not have to be foreclosed on because they can't pay their taxes or they can't pay their mortgage.

So, you roll forward to a week from today, and there are going to be every type of bad choice, difficult choice that we are going to have to make - I am going to have to present. **And what I've said to folks is I think people in New Jersey are ready to hear the truth. They've had 15-20 years of Republicans and Democrats standing in front of them and singing a happy tune and saying don't worry we'll get over it and playing a shell game with your money, taking more of it all along, and saying we'll get by.** Here's the hope if we're willing to make the tough choices now, the tough choices like you made in Haddon Heights, and I hope we're going to have a similar result in New Jersey, and I think we will.

In the rest of the United States, the other 49 states, 37 of them are having Governor's elections this year. Now, having just gone through that I can tell you no one makes any difficult choices during a gubernatorial election. We're dealing with this budget because there were no hard choices made during the Gubernatorial year because the incumbents

trying to get re-elected. And so you don't make hard choices then. And there were none made, last year. That's happening in 37 other states now. Cause, unlike we might want to believe, we're not that much different than everybody else. And all of them, whether it is an incumbent running, whether it is an open seat and each party is trying to jockey to get it, nobody's going to talk about the hard choices this year. If we do what we need to this year, we will be one year ahead of all those 37 states.

So that when the economy starts to recover, if we have our fiscal house in order, we're going to be able to be aggressive about offering the type of economic incentives that need to be offered to get jobs from other states. They're not going to be in a position to do it. Because in the next fiscal year, they're going to be grappling with what we already dealt with, and then me and the Lieutenant Governor can go out and aggressively market this state to bring more jobs into New Jersey because we'll have a tax system that we'll starting to go on the decline it won't go as fast as I want it to go, but we're going to move it in that direction. And I'm not going to raise taxes - won't do it at the state level. And they will also see that we can offer the type of economic incentives that will allow New Jersey to once again be attractive and be a home for growth, that's what we're looking to do.

The last thing we're going to be talking about doing is restructuring state government, reducing the size of state government, means nothing if we don't reform it as well. Or else we will just be back in the same spot again. And so what we need to do is give mayors like Scott, and school board members the tools to control local spending. So I am going to end right where we started, because if we don't do that then we cut state aid property taxes will just go up. And so we need to give them the tools to be able to control local spending.

How do you do that? You can talk to Scott and he can give you chapter and verse, much better than I can, about how that can be done. But let me tell you a couple of for instances. I'm a product of public schools in New Jersey. My parents moved us from Newark, when I was 5 years old, to Livingston, a suburban town in Essex county, because my mom and dad wanted us to have the best public education we could possibly have. And I'm here, in large part, because of the work of those teachers and that school system in those years. So, I'm a fan of the public schools, and I'm a product of one, but, we cannot have different classes of citizens anymore in New Jersey. And we certainly can't have the situation we have going on right now, insisted upon by the teachers union, state wide, town by town, where you have instances where this year, in an economic recession where we have 10% unemployment, and people if they are employed either getting no salary increase at all or getting a cut in the number of hours they get to work just so they can keep their jobs, we have teachers, on average, getting 4 and a half to 5% annual pay increases on the public back.

We have most teachers in the state of New Jersey who pay nothing, nothing, for their health benefits; zero. The average cost of these family health benefits are anywhere from 18 to 25 thousand dollars. They pay nothing towards it. Now, I don't know about you, but that's just unacceptable anymore. When we had more money than we knew what to do with, maybe that was ok. When teachers were paid competitively, maybe that was ok. But we now have the fourth highest paid teachers in America. So New Jersey doesn't have a competitiveness problem in terms of salary and we need to do something different. Not only that, Governor Corzine, two years ago, set up a separate health plan for school employees. The state health benefit plan, which is a very rich plan, \$15 deductibles, I pay 1.5% of my salary, starting this Saturday, when I start on state health benefits, I've been paying Cobra since I left as US Attorney a year ago December. I'm going to wind up paying 1.5% of my salary, which is \$175,000, for full family medical, dental, and vision for me, my wife, and my four children. Think about that. Fit well? Not for me for the rest of my life, 'cus I'm not in the pension system and I won't get benefits for the rest of my life, but, in the teacher situation, they'll pay nothing for the rest of their lives for that coverage. Nothing.

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Now you add to that. Let's switch from the teachers, let's switch to the state employees. State employees who Governor Corzine made a deal with last year -- now get ready for this--some state employees this year, in this fiscal year, will be getting an 11 percent salary increase. 11%! Why? Governor had a contract with them to give 3.5 % salary increases per year, last year in the middle of a reelection, he had new a negotiation with them and got them to defer their last year's 3.5% salary increase into FY11 where they were already getting another 3.5% salary increase.

So now that's seven, so how did you get to eleven, Governor? Here's how you get to eleven, because we also have a grade and step system in our civil service system so that if you're not at the top step of your grade. Every step you move up every year amounts to about a 4% increase. So there will be some state workers this year who will get an 11% salary increase while we are in the greatest fiscal crises this state has ever had and they pay 1.5%, like I do, towards their health benefits. Those health benefit costs are sky rocketing, and this year just the increase for state employees is 288 million dollars, just the increase. Their salary increases are worth 332 million dollars this year on the state budget. And because of the agreement Governor Corzine made I cannot lay off one state worker, I cannot furlough a state worker, until January of 2011.

This was the great election year deal he made for us. It is an exquisite pair of handcuffs that he put on his successor but I guess he didn't think he was going to have a successor, now I don't know was going to do when he got in this situation. But I will tell you -- think about all the things I just outlined for you -- that is the mess we are in.

And it is not a partisan issue, because Republicans and Democrats are both responsible for this problem. So you won't hear me stand up, a week from today, and say "this is all the Democrats fault, they made this problem, they contributed to it," but the Republicans contributed too. Over the course of the last 20 years we have had Republican and Democratic governors, Republican majority legislatures and Democratic majority legislatures, and they have all played Santa Claus with the public worker unions, and others, to try to get re-elected. **So I get to come and get elected at the moment when it is time to clean up the mess.**

Now I will tell you, I'm not complaining. I'm not complaining, I knew what I was getting myself into. Now this may make you think I'm crazy, it's not bad given some of the problems I have for people to think I am a little crazy. But we're going to do what needs to be done. The last thing I'll say to you and then I'll open it up for questions for the participants and observations, but the last thing I'll to you is this.

Last week there was public poll that come out that said I have 52% approval among the people of New Jersey and 21% don't approve and I said to my staff around the state house "Cut that baby out and tape it on your computer, because we are going to look back on that as the good old days." **I know that the things I'm going to propose next week are going to anger some people. But what I'll tell you is it's going to be fair, they're going to cut against everybody. We have no way to make up this money unless everybody leaves the corners of the room, protecting their own little piece of turf.** Because I'll tell you, talk to everybody they say "you're right Governor cut that budget, but this proposal right here is very, very important, but all those other ones over there? Cut

those.” Well, I’ve heard all that and I’m going to take half your suggestion – I’m going to cut all the others and then I’m going to cut your too. And we’re going to give the reform tools that are necessary to Mayors and school boards so that they can keep down your at the local level. Do not buy the fact that we can’t do this, we can, and we must.

And believe me, you will hear from the teachers union that it is all about the kids. It’s not about the kids. The kids don’t care, and it doesn’t make them learn one whit better, whether their teacher gets a raise this year or doesn’t get a raise this year. They don’t learn one whit better whether their teacher pays nothing towards health benefits, 1.5%, 2.5% or more. We know this. This is logic. But you will get the things home, in the kid’s backpacks, I’m telling you, it’s coming. Governor Christie has assaulted public education. No, Governor Christie is trying to make us a responsible state again. So that those children, who are in those schools, can afford to live here. So they get married, and buy a home here, and raise your grandchildren here, and your great grandchild here. And on the course we’re on, they won’t.

So, I said during the campaign, and I absolutely believe this, in my heart, I could care less about getting re-elected. I am going to do what needs to be done, and I am going to beg, cajole, push, pull the folks that I need to, to come along with me because all of them know it’s true. Now it’s just about having the courage to do it.

So, you’ll see those numbers go down for me, and some of you will say, “He’s crazy, he’s never going to get re-elected,” I don’t care. If I walk out at the end of four years and we have this fiscal situation under control, and I hand it off to somebody else, I hope they take the same position, and are responsible too. That’s what I’m going to do. I asked the mayors at league of municipalities last week in Trenton, I told them that this was like that part in Butch Cassidy and the Sun Dance kid, ever saw that movie? You remember when those Bolivian soldiers were chasing them? Right. And they got to the cliff, and they had a seminal decision to make. If we stay here, and do the same thing we’ve been doing, they’re going to catch us, they’re going to shoot us in the back and kill us, and for sure we’re going to die. They looked over the cliff and they saw the water well down below. And they said, “if we jump we’ll probably die,” well, in my book, probably is better than certainly when it comes to death. And so what did they do? They held hands and they jumped off the cliff. And they landed in the water, and they landed fine. Off course, it’s a bad analogy because they died later, but, that’s just a whole other thing, we’ll get back to that. Just stick with me to the point where they get in the water and they’re alive, the rest of the part, you know, they kept doing the same bad things again, so we can work the analogy, but let’s just stop at the water part; they lived.

We need to jump off the cliff together. Now, I’ll jump first, I’ll put my hands behind me, and I’ll hope to feel some hands grabbing on as I go, but that’s what you elected me to do. You elected me to do this.

And there’s going to be moments you’re not going to like it, but you’re going to know this is what you sent me here to do. There’s no more playing along the margins in New Jersey. We’ve got to fix this broken state, and I will fix it or go down trying. And that’s the attitude I brought, that’s why I came back to Haddon Heights, because here you’ve shown a willingness and an ability to make difficult decisions that are not always universally popular, to put your town back on the right track, and to make it once again a place where people can afford to live and to raise their families. And so I was thinking about where to start this conversation, I thought about coming here to see this mayor, and all of you who have contributed to that solution, and hope to enlist you in the fight to solve the problems for the state.

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