

Monday, February 11, 2002

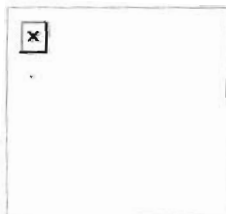
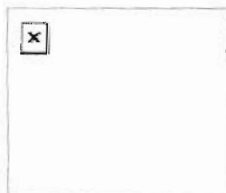
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Reverend clergy, Mr. Speaker, Mr. Speaker Pro Temp, Senate Presidents, members of the state legislature, Governor Byrne, Cabinet members, my fellow citizens...

I know this is an extraordinary occasion, but we have before us an extraordinary challenge that simply cannot wait. Our state faces a serious and imminent threat -- a crisis that is going to require our time, commitment, courage, and leadership. For close to a year, New Jersey has been losing jobs and unemployment has been rising. Our economy, battered by the heinous attack of September 11, is still in the grips of a national recession. Tax revenues are declining.

Although I was told when I was elected that I would inherit a balanced budget with a \$1 billion surplus, that is, in fact, not true. The truth is that through a combination of bad times and -- I'm particularly sorry to say -- irresponsible stewardship -- we have been left with an enormous budget shortfall. We are in an extremely difficult position, facing a looming crisis that must be solved immediately -- and it must be solved by doing what is right and what is responsible and not simply what is popular and politically convenient. Just as a family cannot live beyond its means, New Jersey cannot go on with its out-of-control spending indefinitely. Sooner or later the time comes when an accounting has to be done, the truth has to be uncovered, and the tough decisions have to be made. That time is now.

Solving this crisis will require tough choices and tough measures. Being tough, however, will not be enough. This crisis will also require us to re-examine our priorities and rethink what our mission is as we pare government down to a reasonable size because only if we approach this with fairness can we do what we are expected to do. So that's what we'll be. Tough and fair. Tough enough to make the right decisions and bring discipline back into the process, but fair enough to have shared the sacrifice honorably and to have stood by our principles.

Let me tell you where we are today. Because this is something that every citizen of New Jersey must understand. We are facing a \$3 billion budget shortfall for the remainder of this fiscal year -- a shortfall that must be closed between now and the end of June. It is our moral responsibility to close this gap. It is also our constitutional responsibility. Even after that \$3 billion gap is closed, we have another \$6 billion shortfall expected for the year beginning July 1. In all, we have to close a staggering \$9 billion gap in 18 months. Nine billion dollars.

Of the 44 states around the country facing deficits, ours is the worst. In fact, the magnitude of the budget gap we are facing is probably larger than any state in the nation has ever faced. I don't want to understate this problem. No one in this room,

and no citizen in this state, should underestimate what we're facing. The decisions ahead are going to be very hard.

But let me be clear. We're going to accept this challenge and draw opportunity from it. In fact, we don't just have the opportunity -- we have the obligation. We must change the way Trenton does business.

In the months and years ahead, we're going to have to be smarter. We're going to be leaner and more efficient and more effective. We're doing away with bloated bureaucracy, waste, and mismanagement. And working with Senators Codey and Bennet, Speaker Sires, we're going to put New Jersey back on the road to fiscal responsibility and prosperity. We're going to live within our means. There are a number of factors that led us to the situation we're in: the national recession, of course, and the horrendous events of September 11. But more than either of those terrible things, it was fiscal irresponsibility -- a conscious, unforgivable closing of the eyes by previous administrations to the clear warning signs that were there for anyone to see.

Over the last eight years, New Jersey's budget has grown at a dangerous pace -- from \$14.8 billion just before Governor Whitman took office -- to \$23 billion this year. That's a 55 percent increase at a time when even the federal government in Washington was learning to live within its means and our neighboring states of Pennsylvania and New York saw their budgets grow only about half that rate.

The irony is that those who led the state -- so called "fiscal conservatives" -- increased spending more than any governor in history; created the biggest state workforce in New Jersey history; and left us with the biggest deficit in New Jersey history.

That's right.

New Jersey increased spending at twice the rate of Pennsylvania and New York. Even during the last 12 months, despite repeated warnings that revenues were shrinking and that the good times were coming to an end, spending in New Jersey continued to grow at three times the rate of other states around the country. They relied on overstated revenue projections and understated program costs to justify increased spending. The administration knew the estimates were wrong -- we've found and released the documents that prove it. But despite the gathering storm clouds, they did nothing.

Utterly unwilling to rein in profligate, runaway spending, they put the long-term fiscal future of the state at risk. It was a failure of will, a failure of courage, a failure of leadership. And let me tell you why it was so unconscionable. Because behind the bureaucratic jargon -- behind the "revenue estimates" and "debt service projections" and "econometric models" that the bureaucrats talk about -- are real people with real needs.

This is not just about numbers. It's about whether the state is going to have the money to build and repair the schools our children attend and to hire the best possible teachers to prepare them for the future. It's about whether we can find the money to repair our roads and bridges and reduce traffic congestion and protect open space and whether we can provide aid to seniors to help pay for the prescription drugs they need.

Let me be clear. I didn't want this speech to be my first speech. I didn't run for this office to tell you all the things we can't afford to do. I ran to improve our schools and to be sure our neighborhoods and streets are safe and secure. I ran to revitalize our cities and protect our open space and relieve the burden of property taxes on working families across the state.

I ran because I knew the frustration of sitting in a stalled, overcrowded New Jersey Transit train because I knew the feeling of crossing four lanes of traffic to get into the EZ Pass lane, and because I wanted to do something about it. I ran because I have a child who will be entering school in a few years and hard working parents who paid taxes in New Jersey for 50 years, and I want to be sure that our state will be there for them when they need it most.

But we've all got to remember one critical thing: Unless and until we have a government that operates in a fiscally sound manner -- until our house is in order -- all this is in jeopardy.

I didn't create this problem, but I'm determined to work with you to fix it. We're going to do what it takes to balance our budget, and we're going to do it right, tough and fair. Because a budget unguided by principles is a house without a foundation.

As our greatest President, Abraham Lincoln, whose birthday we will celebrate tomorrow, stated during his last public address on April 11, 1865 -- "Important principles may, and must, be inflexible." And so, here are my bedrock principles that will guide me through this process. First, I will not sacrifice the education of our children. Second, we dare not sacrifice the security of our citizens. Third and finally, we will have a state government that lives within its means. In the days and weeks and months ahead, I am prepared to make hard choices. But I need your help and guidance. As I said in my inaugural, when we come together, there is no problem we cannot solve. I am offering solutions today to a problem that I did not create and a budget I did not produce. So, if there's a proposal you cannot support, then come up with something of equal value to replace it. I am open to your suggestions. Republican and Democrat alike: I want your advice. But let me caution you.

This is not a time for demagoguery. It is not a time for partisan posturing. It is a time for action and for answers.

The package I am presenting today will close the \$3 billion deficit that confronts us immediately, to bring the last administration's budget back into balance for the current fiscal year. No alternative was ruled out. We relied on the expertise of state budget experts, former state treasurers, economists, and business leaders. Some of these measures will be painful; others less so. Some are long-term measures that will help make us leaner and more efficient; others are short-term solutions that will help get us through the end of the fiscal year. Let me now detail some of the measures we are taking to bring the 2002 budget back into balance.

- * First, I've already taken executive actions, which will save nearly \$1 billion.

- * As part of this, we are implementing a 5 percent across-the-board reduction in the department budgets of all state agencies, for savings of \$100 million.

* We've gone to extraordinary lengths to put the taxpayers first by exhausting unused balances, freezing unspent reserves, and leveraging state assets. This combination of measures will save \$176 million.

* We've reduced, by 5 percent, the state appropriation to public colleges -- a painful, \$64.2 million hit that I wish I did not have to impose. Additionally, we'll save \$7.7 million by imposing a 30 percent reduction in our assistance to New Jersey's independent colleges.

* We have extended and expanded the existing freeze on new appropriations. That will save the state over \$435 million -- but at a cost. It will include cutbacks and freezes, some more painful than others, in a whole host of projects, including \$6.7 million that had been authorized for dam repairs; \$3.5 million for the museum at the Battleship New Jersey; \$1 million from mobile video recorders for police vehicles; \$800,000 from higher education student assistance; \$6 million subsidy for the horse racing industry.

* In addition to those administrative actions, we are also taking a series of steps that require legislative approval.

* We've taken the unusual, step of proposing a tax amnesty program, which will allow people who have failed to pay their state taxes to come in and do so without fear of penalties or punishment. This will bring in an estimated \$150 million. But let me be clear about this: Going forward, delinquent taxpayers are hereby put on notice: This administration will prosecute tax scofflaws aggressively. They will be dealt with severely.

* And we're going to redirect about \$325 million in contributions earmarked for the unemployment insurance trust fund. This will leave the fund with a balance which experts assure us is more than sufficient to meet whatever needs arise. In all we have found nearly \$3 billion to bring our budget back into balance. But let me warn you: These measures are just the beginning -- designed, in some cases, just to get us through to the end of the fiscal year.

In a month, we will need to find additional means of closing a budget gap that is twice as large to bring the FY 2003 budget into balance. Real balance. We are already working long and hard hours to do that. And let me tell you about how we'll do it. We will continue to extract whatever efficiencies we can through reorganization.

We will cut waste and bureaucracy relentlessly, and we will attack mismanagement wherever it exists. We will merge agencies to eliminate duplication and achieve economies of scale, starting with the Turnpike Authority, the Highway Authority, and the Atlantic City Expressway. We're going to make sure that the EZ Pass system -- which overran its budget by \$300 million -- works safely and sensibly and cost efficiently.

We're going to use this opportunity to make government work and to make it work for the people, and I'm not going to put up with excuses along the way. We can do all these things and we can do them fairly.

Working together -- for surely these are not Republican or Democratic issues -- we can move beyond today's crisis and turn these challenges into opportunities. As a

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state, we remain fundamentally healthy, well-positioned to thrive in the new economy. We have some of the nation's greatest scientists and engineers and entrepreneurs and ideas. We have a thriving port and a critical strategic location between New York and Philadelphia. We can and will continue to prosper.

I am asking you here today to join me in putting aside partisan politics, in rejecting the failed policies of the past, and in looking beyond our own short-term interests. And let me say it again: If you cannot support my proposals, then present me with an alternative. But we must take the steps now, immediately, today, that should have been taken months ago. Whatever we do, we must be tough and we must be fair and we must be strong.

We must stick to our principles. We must change the way business is done. If we do this right in the months ahead, we will not only restore fiscal responsibility, we will build prosperity and opportunity for all our citizens. We will make our state stronger. Now let's get to work.

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