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Governor Corzine's Remarks to the League of Municipalities

Well it's great to be back in Atlantic City, it's great to be with the league. I like to tell myself it's great to be anywhere. Actually the last time I spoke to a mayors group, I had a major wake up call. For all of those who prayed and offered their kindness and support, let me say from the bottom my heart that I can't thank you enough. Thank you and god bless you. To all my friends on the dais and in the audience it's great to be with you. Certainly Governors Byrne, Governor Florio, I think that Governor Bennett is here.

I always enjoy the partnership I have with Governor Senate President Codey, Speaker Roberts and working closely as partners with the people in the legislature many of whom are here today. I have the same feeling that Frank expressed with regard to mayors other than in the joke. That you all do an incredible job of looking after our citizens dealing with the day to day lives of the people that live in this state and I congratulate you and I am pleased to be here with you today.

Commissioners and all the folks who are here make a difference in the lives of the people that we serve in this great state. I really want to say once again I appreciate all the goodwill.

Thinking about goodwill, I had dinner with Brendan and Ruthi on election night. They were charming as always, until Brendan told his joke about World War II about the treatments at the food chow hall and how it deals with his wife with Ruthi. You can tell that joke better than I can Brendan.

The only problem with having dinner with Brendan is that he sticks you with the bill. Then he makes bets that he already knows the answers to so that he can collect on them. Then incredulously he looks at you. I made a five dollar bet on something that I wish I had won and didn't. He looked at me and said I didn't think you carried five dollar bills.

We don't need writers for Broadway and late night shows, we just need Brendan there.

We had a good discussion about politics in New Jersey. He reminded me that no matter how high or how low things get, and sometimes you wonder, he could always rely on the public to be straight with him. As he often notes, sometimes the public uses one finger, sometimes all five, it's in that context I look a little bit at last week's election.

The voters are rightfully fed up with the failure of government to put the state's fiscal house in order. They are rightfully frustrated by the perpetual tales of deficits in the billions. And they rightfully resent that too many officeholders have taken advantage of the public trust, undermining their confidence that government will actually serve their needs. They are fed up with all the inaction. They are crying out for the ideas and the leadership to fix the fiscal mess that we have in our state government. And that's just the message from the 30 percent who voted! I think we can safely assume that the message from the other 70 percent who stayed home would probably run the gamut from hostile to resigned.

As much as the defeat of the stem cell initiative personally pains me, as it does the thousands, if not millions of people who look to regenerative medicine for hope, the voters' point on the perilous fiscal position of this state is well taken and heard.

It's time for we elected officials to stop being afraid and cautious and do something bold to right this ship. I intend to do just that. It's time for an "out of the box" effort to get this state back on a rational financial footing.

I understand that by definition, any proposal significant enough to reverse the state's slide into a deep fiscal ditch will be controversial. That comes with the job, you know that as mayors. Anyway, we're New Jersey, controversy is our middle name. The income tax was controversial. The Meadowlands was controversial. Atlantic City was controversial, and I could go on with the list of important changes that have occurred.

The point comes where we ask ourselves are we are in public service because we covet the title, or because we're here to do something. Something that is meaningful for our citizens.

So let's be clear. I'm not looking to play at the margins or do something that feels good. I don't think the public elected me to do that. My interest is in transformational change of our fiscal position.

So with that in mind, onto the topic of the day. My secret asset monetization plan. Although with all the leaks in Trenton I don't see how anything can be considered a secret! More seriously, I don't want to minimize any of our efforts on education, child welfare, the environment, affordable housing or any other initiatives. But I don't think anything I will have responsibility for will have more impact on our state and people, than an effective plan to restructure the state's financial affairs.

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Without reducing our debt burden, our financial situation will not allow us to make needed investments in critical infrastructure or rationally balance the books. That doesn't mean we can't and it doesn't mean we won't reduce spending. We can, and we will. But it is the ever increasing debt burden that is sucking the life out of the state's finances and our ability to serve our citizens.

So today, when I tell you the details are not finalized, it's not because I'm holding back or there's some secret element. We want to make sure that when we get one chance at serious financial restructuring it is done right. And you can take this to the bank I will be bold when I present this plan because it will be in the name of progress.

The real risk to our collective future comes from the status quo, not from change. Make no mistake I am willing to lose my job if that's necessary to set our fiscal house in order and get New Jersey out from the debt burden constraining our future. I don't want to interpret that as what you want to happen. [in response to audience applause]

Let me be clear about how I define our debt burden. First, New Jersey has roughly \$32 billion in bonded debt. It's around \$3,700 for every man, woman and child in the state, more than just about any other state in the country. In fact, the first \$600 that you pay in your tax bill goes to debt service. This debt is an accumulation of some good borrowing for capital investments, and bad borrowing for operating expenses.

On top of the bonded debt, there is another \$75 billion in unfunded liabilities that result from the failure to set aside payments for pensions and post-retirement medical benefits. Funding the broadly defined debt burden approaches 5 billion dollars a year and eats up about 15 percent of our budget.

I don't want to overwhelm you with numbers, so I'll stop there, but just remember this. Every dollar that goes to debt service or unfunded liabilities is a dollar that can't go to municipal aid or school funding. It's all connected, it really is all one package. So as we look to the future of New Jersey, our competitiveness hinges on two elements.

First, our ability to get control of our finances by paying down the outrageous debt burden accumulated under governors and legislatures of both parties. And second, our ability to finance the next generation of infrastructure investments that will keep New Jersey at the top of the economic ladder of our nation.

My Administration has worked for the better part of the past year on a substantial financial restructuring plan. It's complicated, I'm not going to give you the details today. It's sensitive to lots of changes and every time I think we're ready we find a new issues that we need to cover. In short, the plan will not be put forward until the beginning next year. And even if it were ready to present today an initiative of this magnitude demands a broad public debate and one not suited in my view to a lame duck session.

As you have probably heard or read, the plan will involve leveraging the untapped value in the state's toll roads in order to dramatically pay down debt and create a permanent funding source for the state's Transportation Trust Fund which also funds county and municipal infrastructure.

I don't take this step lightly. I do so because it is the only way, in my judgment, to dramatically change the state's financial position. Let me assure you, the financial restructuring that I will present as part of my State of the State address will adhere to the principles that I laid down last July.

There will be no sale of any roads, period. And there will be no lease to any private bidder or foreign owner. All safety, security and maintenance standards for the roads will be set and monitored by the State. And I will make good on my commitment to hold town hall meetings in every county to explain the plan directly to our citizens. Today I am announcing three additional principles that the plan will achieve.

First, it will result in a reduction of the state's bonded debt by at least 50 percent. Imagine as a homeowner how much better off you could be if your monthly mortgage payment were cut in half.

Second, it will provide permanent funding for the state's Transportation Trust Fund. Imagine at the state and local level, we will be able to rebuild the transportation network, reduce congestion and unlock economic development opportunities all across our state.

And third, the plan will establish new limits on state borrowing.

This last principle is, undoubtedly, the most important structural reform. It will create greater public control over future debt as a means of protecting taxpayers from the mistakes of the past. Let me acknowledge it builds on the work of Senators Lance and Lesniak who both championed this idea.

To use an analogy from my youth, I don't want to clean the manure out of the barn, only to have someone else fill it back in. Now, to be sure, our restructuring plan will compliment the property tax relief and reform program that was enacted during the special session.

And I want to thank Senator Codey, Speaker Roberts and all of my colleagues in the legislature who worked as partners to create this wide-ranging initiative. As you know, this fall, we mailed out the largest property tax relief checks in New Jersey's history. About 1.8 million homeowners received rebates averaging one thousand dollars. For the first time ever, we imposed a cap on the increase in the property tax levy. Some of you didn't like that so much. The cap is already bringing about a positive impact for taxpayers.

This year the school tax levy increased by 4.4 percent, about a third less than last year, the smallest increase in over a decade. We also created - small d - democratic processes to create economically sound consolidation recommendations.

Through our efforts in collective bargaining, we raised the retirement age for new state employees from 55 to 60. We kept salary increases well inside the levy cap. We increased pension contributions by the state employees. We instituted a defined contribution plan for elected officials and higher income employees. And for the very first time, state employees are contributing to their health care costs. This is a pattern that should be extended broadly.

On ethics, we created the state's first office of the Comptroller. We broadened financial disclosure requirements and strengthened contracting rules at the state authorities. We mandated pension forfeiture for corrupt public officials. We ended pension padding and boosting gimmicks. And after sixty years of debate, we effectively ended dual office holding.

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On the budget, we shrunk the size of government by over 2,000 jobs. We reversed the growth in the structural deficit. We reduced the use of one shot revenues and ended the annual raid on the Unemployment Insurance Fund. And together with the legislature we brought greater transparency and timeliness to the budget process.

Now, I am not saying we have done everything there is to do, we haven't. Nor am I saying we didn't make compromises in order to achieve results, we did. But I make no apologies for the effort or the outcomes of the efforts that have gone on in the last two years. We are moving in the right direction we just have many more hills to climb.

That said, there is one big piece of unfinished business with respect to property tax relief and reform. And that's developing a fair and constitutionally appropriate school funding formula, a problem unaddressed for over a decade as well. Today we have a court-driven, ad hoc system for allocating state aid for education. It has no rational basis of explanation.

The current method leaves too many children out of luck simply because they live in the wrong zip code. And the failure to provide sufficient state school aid has put a disproportionate property tax burden on the backs of far too many homeowners.

It has to change, regardless of how tough it will be. We can't fund children's education like a pork barrel program. When it comes to state support for local education, we need to consider two issues. First, what is the adequate level of resources for a child to successfully learn, prepare for college or enter the workforce? And second, what level of aid should the State provide relative to local share based on the income and wealth of the community? Every child must be given the same opportunity to succeed and the same access to a thorough and efficient education.

Within the next few weeks, the Department of Education will present a school funding formula to the Legislature for their consideration. The essence of the plan is to allocate dollars by children and their needs, not by geography or zip codes. We will present this funding formula soon so we have enough time to debate it, enact it, and implement it for the 2008 school budgets.

So that's it, as you can see, we have a challenging, and admittedly tough "to do" list. Year after year, fear of taking on the big financial issues has resulted in paralysis, or at best marginal reform. Sticking with the status quo has only made the problem worse. These issues are not going to fix themselves. Now is the time to act.

We have a new legislature with more new members, and more new women I might add, than at any point in recent history. Now is the time for all of us, Democrats and Republicans, to put aside party labels, keep an objective and open mind and fix what we all know is broken. But before I leave there's one other point I want to make. Let's take a step back from all the challenges in this state for a moment and recognize another overarching reality. I really feel strongly about this.

New Jersey is one of the greatest places in this country on this globe to live, to work and to raise a family. You all work on that every day and you are part of what is a great state. I am proud of you, I'm proud of it and I know you're proud of our state, I am proud of our people and I am excited about our future. Just today, our Department of Labor reported that the state's unemployment rate fell to 4.1 percent, one of the lowest in the nation and far below the national average of 4.7 percent. It's been there all year.

New Jersey doesn't just offer good jobs, it offers great jobs, higher-paying jobs. The median income in New Jersey is as high as anywhere in America. In the past six months, New Jersey employers have added more than 20,000 new jobs and almost all of them are in the private sector. We have a competitive advantage in America's growing economic sectors: finance, logistics, gaming, tourism, medical research, and high technology.

New Jersey offers the very best education system in the nation. Yesterday I was reading in the New York Times and they had a list of countries and states and New Jersey was right up at the top of the list for math scores for fourth grade and eighth grade across the globe, not across America.

We're first in the country in pre-school enrollment and at the top in high school graduation rates. We have the highest percentage of people with advanced degrees in America live in this state. Private investments for large development and infrastructure projects are pouring into the state. Bill Gormley knows this, as much as \$15 billion is poised to transform Atlantic City into a global tourist and resort destination.

A multi-billion dollar facelift will recreate the Meadowlands with the help of a lot of great leadership from Governor Codey. The Port Authority is on the threshold of generational achievement the construction of a second passenger rail tunnel under the Hudson. You'll be able to take those trains from Trenton as Senator Lautenberg was talking about Amtrak New mass transit is planned for South Jersey. And we continue to attract major private sector investments in logistics and warehousing, biotech and pharmaceutical industries. So, although we must recognize that we have fiscal challenges, we should not ignore our successes, or our strengths.

The point is the citizens of New Jersey have every right to demand, that we public officials, put our fiscal house in order so we are partners in their success, not a burden to their future. To that end, I hope you will be prepared to join me, with an open mind and a seriousness of purpose that will enable us to take on, and overcome, these challenges. If we do, there is no question, New Jersey's best days lie ahead.

Thank you.

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