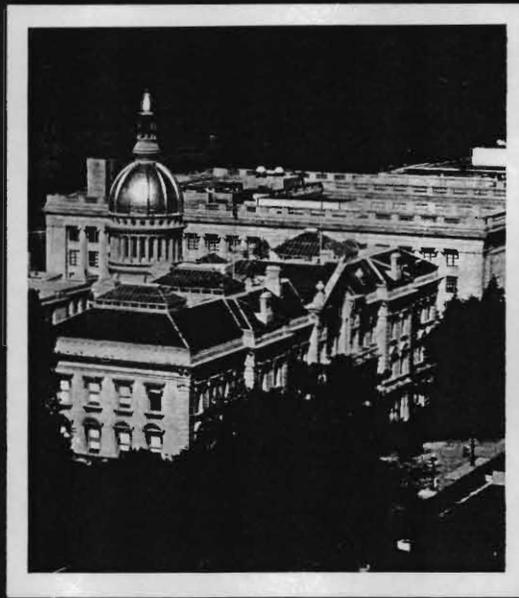




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ANNUAL MESSAGE TO THE NEW JERSEY STATE LEGISLATURE



THOMAS H. KEAN
GOVERNOR

INTRODUCTION



Two years ago, when I stood before you after having been sworn in to this great office, I said that "Today marks the start of a time of great testing for New Jersey and its government..."

I am happy to report to you today that we have not only measured up during our time of testing, but we have exceeded the expectations of many. We have not only weathered the storm of the recession; we have emerged with a fresh new breeze in our sails to carry us forward. We have outperformed our neighbors. We have planned for our future.

In short, we have much to be proud of.

The state of the state is good.

Nineteen eighty-three was a very productive year for New Jersey. Our state's economy bounced back from the recession with more strength and resilience than did the economies of most other states in the region or in the nation.

There are several facts I can report to you which underscore our strong position:

- More New Jerseyans are employed today than at any other time in our state's history. More than 57,000 New Jersey workers have been added to the total of non-farm jobholders since April, and, in total, there are over 100,000 more of our people working today than there were a year ago.
- New Jersey's unemployment rate is almost three points lower than it was at the height of the recession, and it is far below the jobless rate for the nation as a whole. Moreover, the number of New Jerseyans claiming unemployment insurance is at its lowest level

in a decade - a level 31 percent lower than that of one year ago.

- The number of construction contracts awarded in New Jersey is up 50 percent from a year ago; nationally, construction contract awards have increased by 26 percent.
- Although down slightly during these winter months, the number of residential units authorized by building permits in New Jersey - the equivalent of housing starts - is running 104 percent ahead of last year's pace.
- And perhaps most significantly, new business incorporations in the Garden State, a key indicator of confidence in the future performance of our economy, showed a 19 percent increase in 1983 over 1982.

So as we review the condition of the state, we have every reason to be happy about New Jersey's economic performance during the past year, and confident about its prospects for the year ahead.

New Jersey has emerged as a leader among states in more than mere economic terms. While it is true that our economic success has outstripped that of the nation as a whole, we have seized the initiative in a number of other areas as well.

We are far ahead of our fellow states in identifying the threats that hazardous substances pose to our environment and to the health and safety of our people. And, we also rank first in our cleanup effort, and in the competition for Federal cleanup dollars.

This year, you sent to me, and I signed, a Right To Know law that was widely hailed as the most advanced in the nation, and New Jersey stepped to the forefront in worker and community safety.

While prison overcrowding crises have forced other states to turn criminals out into the streets, we have implemented a plan of action that has added thousands of new cells to our prison system and allowed us to accommodate a rapidly growing inmate population.

While health care costs have contributed more to inflation nationwide than any other single factor, New Jersey has provided the nation with a model for controlling them.

And while America has reached

a state of alarm about the condition of its public schools, New Jersey has come forward with a blueprint for educational reform that charts a new course in restoring their excellence.

New Jersey, in many ways, is first among states. We are blessed with a rich and varied landscape; a location that links us easily with neighbors both at home and abroad; a strong base of productive industry and advanced research; a well-educated, skilled work force; and, most importantly, a diverse, determined, and proud people.

But being first today is not enough for tomorrow. Our task is not only to address the problems that confront us this week or this year, it is to anticipate the crises that could plague us for decades to come; it is not only to make things better for ourselves, it is to build a better state and a better world for our children.

The proposals I will outline here are mindful of that task. They are designed to solve the problems before us, but they also seek to prevent even greater problems from ever coming before us. They are rooted in the experiences of the past and present, but they are aimed at those issues which will most affect our future.

The first few years of the 1980's have presented great challenges to those of us in public service; the challenges that lay ahead are even greater.

My message to you is this: new times demand new ideas, new solutions.

Now is not the time to wither in our determination to provide the best possible government to the people at the lowest possible cost. It is not the time to relax in our effort to bring new jobs to our people. It is not the time to retreat in our commitment to those who need the helping hand of government most.

It is the time for New Jersey to secure and consolidate its rightful place as a leader of this nation.

It is the time to forge ahead in rebuilding our cities, cleaning up our environment, and breathing new life into our schools and colleges.

It is the time for New Jerseyans to look proudly to tomorrow with their heads held high, their eyes alertly on the horizon, and their hearts and minds aflame with the determination to make their state's future even better than her proud past.

JOBS AND THE ECONOMY

New Jersey's economy stands at a turning point. Like the national economy, its fundamental character is changing. The manufacturing of goods is being replaced by the provision of services as its principal activity; and the smokestack of the factory is being replaced by the microchip of the computer as its principal symbol.

As we approach the crossroads, we should not underestimate the contribution that manufacturing and heavy industry make to our state's economy. But the fastest growth is in the area of high technology, an area characterized by high demand for workers with modern skills, and by keen competition among states, regions, and nations for the jobs it provides.

Bringing jobs to New Jersey — and keeping those we already have — has been the top priority of my Administration for the past two years. We have used every means at our disposal, from low-interest loans and tax incentives to aggressive marketing and promotion, to lure businesses to our state and to make the ground in New Jersey more fertile for business expansion and business growth. That effort must not only continue; it must be improved upon.

Our quest for new jobs has been largely successful: since we took office, over 300 new businesses have opened their doors in New Jersey, and a much larger number have expanded their operations. The result has been the creation of over 35,000 new jobs in our state.

Coupled with the robust economic recovery, those jobs have kept New Jersey's unemployment rate below the national rate throughout the recession. Our current rate of 6.9 percent is a full 1.5 percent below the national rate, and the 3,422,000 New Jerseyans at work have brought our state's employment level to an all-time high.

Despite the progress we have made in the past year, I believe that there is much more we can do to bring new jobs to New Jersey and to prepare New Jerseyans to hold these jobs.

In 1983, we launched two new initiatives to prepare workers in this state for the jobs of the future. In the year to come, we must accelerate these programs to give our work force the skills it needs in our changing economy, and we must dedicate ourselves to their successful implementation.

Training under the Federal Job Training Partnership Act (JTPA) began on October 1st of last year. The key to the success of this program is the involvement of local business and industry in ensuring that the training provided matches their needs. Through the hard work of our Congressional delegation, New Jersey has secured \$82 million in Federal job training funds for the current fiscal year. The Job Training Coordinating Council I appointed in February worked with the local Private Industry Councils (PICs) to determine how to maximize the amount of needed training generated by every dollar.

These funds will be complemented by \$4 million provided by the state Governor's Employment and Training Initiative (GETI). I congratulate you for passing legislation creating this state program, which dovetails with the Federal program and allows us to broaden our efforts to train displaced workers, economically disadvantaged, and the working poor.

Our Department of Community Affairs also participated in the overall job training effort by training thousands of older workers for private sector employment.

Finally, the Department of Labor has developed two programs to help workers affected by plant closings using \$1.8 million in displaced worker funds awarded to New Jersey under the Federal Emergency Jobs Bill which passed last spring. These two programs can provide some type of assistance to over 28,000 unemployed New Jersey residents.

As of this writing, you have failed to pass legislation to permit the Department to use the Federal monies for these displaced worker programs. I would urge you to adopt the necessary funding legislation as soon as possible.

You did pass legislation last year which will allow us to provide low-interest loans through our Department of Commerce and Economic Development for business investment in New Jersey's depressed "urban aid" municipalities. Once funds have been appropriated, the bill you passed will allow us to set up a New Jersey Local Development Financing Fund, modeled after the highly successful Federal Urban Development Action Grant (UDAG) program.

The revolving loan fund, financed with \$45 million authorized by the voters under the 1982 Community Development Bond Act, will be designed to stimulate private investment in projects that would not otherwise occur.

It is estimated that the total public and private investment generated by the fund in the first round of loans will be \$250 million, and that this will help create between 6,000 and 9,000 jobs where we need them most: in our cities.



I am delighted to announce that the guidelines for this program have now been drawn up by the Department of Commerce. In the near future, I will be announcing the procedures through which businesses can qualify for low-interest loans from the Local Development Financing Fund. With your cooperation, we will be in a position to accept applications for this loan program within the next few months.

Last year at this time, I stood before you and called for passage of another legislative initiative designed to give economic hope and bring jobs to our cities: the Urban Enterprise Zone proposal. You responded by passing the New Jersey Enterprise Zone Act, sponsored by Senator Lynch and Assemblymen Schwartz, Bryant, and Kern, which I signed into law on August 15, 1983.

Urban enterprise zones are just part of an overall program to revitalize our cities, but they constitute an idea whose time has come. For more than two decades, a variety of approaches to inner city development in New Jersey have been tried. Some have helped, but far too many have failed.

The urban enterprise zone is a new approach, one designed to capitalize on the strengths of our system by providing incentives to business rather than costly mandates to the taxpayers.

The purpose of the new law is to bring hope to those decaying urban areas that win designation as zones, through tax incentives to businesses, better coordination and planning with local and state government, and relief from government regulation that is either inappropriate or unnecessary. Urban enterprise zones can serve as a foundation on which to build business development through the combined resources of the public and private sectors. Existing business attraction and retention efforts and targeted loan programs can be joined to complement the Urban Enterprise Zone Plan. The result of the new law will be new jobs for our cities.

I will shortly be appointing a New Jersey Urban Enterprise Zone Authority, which will work with our Department of Commerce and Economic Development in selecting enterprise zones and in approving local zone development plans. I appreciate the role you have played in bringing this concept to fruition.

I would also call upon your counterparts in the Congress to pass pending Federal Urban Enterprise Zone legislation. Enactment of such legislation would provide even greater stimulus for economic development in our cities.

That development is currently being encouraged greatly by the activities of the New Jersey Economic Development Authority, the largest single issuer of industrial development bonds in the country. The EDA had its best year yet in 1983, as over \$1 billion in job creating financing flowed through the Authority to over 500 businesses in the state. The Authority's aggressive, low-cost financing programs have persuaded national firms, high tech companies, foreign-owned companies, and other businesses to move or expand their operations here.

To help keep those businesses that are already here, one year ago this month I announced a business retention program that our Department of Commerce is conducting in cooperation with New Jersey Bell. The retention program

works with local governments in setting up an early warning system for local small business problems, strengthens relationships between municipal officials and the business community, and provides an inventory of existing businesses to city governments. In the past year, it has been a very successful public/private partnership aimed at assisting small and medium-sized businesses and maintaining the health of our communities.

We are also on the verge of seeing our efforts to develop the Hudson River waterfront bear fruit. In the past year, we have made great strides in laying the groundwork for a sweeping economic renaissance along the Hudson; this year we must redouble our efforts to foster the rebirth — and plant the seeds of the job growth it will bring.

In July, I announced the details of a far-reaching agreement that Governor Cuomo and I reached concerning the future role of the Port Authority of New York and New Jersey in the economic development of this region.

For too long, both of our states have allowed the Port Authority to set its own agenda; for too long, we have failed to put its substantial resources to work in creating jobs for our people.

But that era is over; we will fail in that task no longer!

Just one month ago, requests for proposals were sent out by the Port Authority for the preparation of a final master plan and the performance of environmental planning and analysis for the Hoboken Waterfront Development Project. About \$900,000 has been authorized for this work.



As you know, we have been negotiating throughout the year with your colleagues in New York in an effort to win passage of legislation you have already approved which would clear the way for this project and a parallel project in New York City. I am hopeful that it will pass the New York Legislature in the early part of this year. In the meantime, the Port Authority is continuing with its development of plans for the project.

In all, the Port Authority has agreed to invest \$150 million in the Hoboken project. That investment, in turn, is expected to generate additional private investment that will bring the total project value to over \$500 million. But most importantly, our plans for development of the Hoboken waterfront will create 10,000 construction jobs, and between 2,500 and 4,500 permanent jobs in the area.

A major portion of the Port Authority funds to be invested in development and infrastructure projects in the Port district will come from a newly created Fund for Regional Development. The Fund will be financed by increased revenues generated by New York State moving out of its offices in the World Trade Center and the subsequent leasing of the space to private tenants at market rates. Under current law, monies in the Fund can be used only for very limited purposes. You have before you legislation which would greatly expand the potential uses of the Fund with other Port Authority revenues for infrastructure repair and construction throughout the region by creating a Bank for Regional Development. I urge you to pass this bill.

This year, we hope finally to resolve the question of the World Trade Center itself. The World Trade Center is a prime regional resource, one that could generate additional revenues for economic development, infrastructure improvements, and the creation of jobs in the region.

A major feature of the Port Authority agreement was the commitment made to invest over \$200 million and \$500 million over the next decade in upgrading the operation and the safety of the PATH system. This investment is long overdue, as the dismal safety record of the past year shows. Importantly, every dollar generated by the increase in PATH fares will be returned to the system in improvements — from life safety improvements and station expansion and renovation to new cars and better maintenance of the existing fleet.

An upgraded PATH system, especially on the New Jersey side of the river, is vital to the successful development of the Hudson River waterfront. We will not waver in our commitment to seeing that New Jersey's PATH system is maintained. We will simply not allow any shortcomings in PATH to jeopardize the great promise of waterfront development along the Hudson.

To ensure that the promise is fulfilled, I recently appointed a Governor's Hudson River Waterfront Development Committee. The Committee will bring the public and the private sectors together in an effort to coordinate the various contributions that state agencies, local governments, and private interests can make to the successful development of what has been called the most valuable piece of real estate in the nation.

The work of the Committee will be supported by a permanent, fully staffed Governor's Waterfront Development Office. Members of my staff, as well as staff from the Departments of Transportation, Environmental Protection, and Commerce and Economic Development will man this office. In the very near future, we will be opening this new office's doors, and I invite all of you not only to visit the opening, but to make use of its services on a continuing basis as we work together toward a more dynamic, productive waterfront.

Each of the Departments I have just mentioned has been already working during this past year to do whatever it can to make the waterfront more receptive to economic growth.

The Department of Commerce and Economic Development has been actively cooperating with firms interested in developing pieces of the waterfront, conducting site tours, and doing everything in its power to remove regulatory impediments to private investment in the waterfront.

Commerce has also appointed the state's first Maritime Advisory Council and a full-time Marine Coordinator to work for the health of our traditional waterfront industries: ship repair, shipping, marine services, and the like. Those industries should receive a boost from the U.S. Navy's decision to homeport its seven-ship Surface Action Group in Staten Island. All ship repair and marine services for the group must be performed within a 50-mile radius of the homeport, a requirement that will bring hundreds of jobs to the New Jersey waterfront.

The Department of Environmental Protection began a \$1.6 million program to remove drift from the Hoboken Reach area of New York Harbor. It also began design on a similar harbor cleanup program for other areas, including Weehawken, Jersey City South, Bayonne, Shooters Island, and the Arthur Kill.

In September, the Department unveiled a Master Plan for Liberty Park that will further spur development of the waterfront. DEP also proposed creation of a Liberty State Park Corporation to implement this plan. We will be moving forward with the establishment of such a corporation this year.

I would note that the future of Liberty Park will be further enhanced by the private development of a Science and Technology Museum that was announced in 1983.

The Department of Transportation, meanwhile, initiated a \$400,000 transportation consultant study, which will show us how we can use transit and highway improvements to unleash the potential of the waterfront.

The Hudson River waterfront is not the only urban river waterfront in New Jersey which holds out the promise of new development and new jobs, however.

In 1983, I also appointed a Steering Committee to coordinate development of the Delaware River waterfront. The Steering Committee will complement and guide the efforts of the Delaware Valley Regional Planning Commission, which began its own study this past year of how best to make use of our resources along the Delaware.

The potential for new jobs in Trenton, Camden, and other waterfront communities is great, and we intend to help fulfill that potential in every way possible.

Nineteen eighty-three also witnessed the continued success of small business in New Jersey.

Over 98 percent of the firms in our state have less than 500 employees, and these small firms are not only the source of over half of our jobs, they are the fastest growing source of new jobs.

My administration is committed to doing all it can to encourage the growth of small businesses and the jobs they create.

In the past year, New Jersey's ranking in receptivity to small business improved dramatically. We had been ranked 20th among the states by the nation's leading small business publication; now we rank 10th.

Certainly part of the jump is attributable to specific steps we have taken to help smaller firms in New Jersey. As you know, our four-year phase-out of the corporate net worth tax, which is especially onerous to small business, began on April 1st.

But we are doing more than removing burdens; we are actively assisting small firms that need help. This year we formed the state Corporation for Business Assistance, which is providing low interest loans to companies which need up to \$500,000 to finance job-creating expansion.

Many small firms in New Jersey are minority-owned, and almost all minority-owned businesses in this state are small businesses. This past year, we launched a special effort to encourage the growth of minority business enterprises (MBEs).

I appointed the Governor's Advisory Council on Minority Business Development which is making recommendations for how to improve the climate for minority business in the state. And through a grant from the U.S. Department of Commerce, we were able to establish a full-time, fully staffed Minority Business Development Unit in the Department of Commerce.

We have also been working actively on behalf of women business owners, the number of which has more than tripled in New Jersey since 1977.



In this area, too, New Jersey is ahead of the nation: New Jersey was selected as the site of the first conference kicking off President Reagan's National Initiative Program on behalf of women entrepreneurs, and I attended and spoke at the conference in Somerset County in October.

In the year to come, I believe that there is more we can do to help small, minority-owned, and women-owned firms, to create jobs in New Jersey. I ask for your assistance in removing the unnecessary burdens these companies face, and in providing the special kinds of assistance that can help them grow.

There is still more we can do to promote New Jersey's image, too, despite the great success of our tourism promotion campaign in 1983.



As you know, last April I unveiled a new slogan for the state: "New Jersey and You: Perfect Together." With that slogan came a deeper commitment to one of our state's largest industries, one that employs over 275,000 New Jerseyans and accounted for over \$9 billion spent in our state last year: tourism.

Too many people from other states and other countries know far too little about the true nature of New Jersey — our beaches and mountains, our rivers and streams, our farms and countryside. Businesses are not as aware as they should be of our state's many economic advantages, from real estate prices to taxes, from transportation to skilled labor, from access to markets to our high quality of life.

In the year to come, we will continue our commitment to selling New Jersey because I believe there is a lot to sell, and I will ask for your support and your active participation in this effort.

The effort we launched this year was aimed both at tourists and at new firms. One measure of its success was the fact that our resort businesses reported increases in visitors of anywhere from 5 to 30 percent this past summer as compared to the summer of 1982. Moreover, we targeted \$500,000 in advertising funds specifically to economic development promotion.

Our Department of Agriculture is also ready to launch a \$325,000 marketing and promotional campaign for the Garden State's incomparable agricultural products.

In sum, 1983 has seen us make significant progress in a host of job-related areas: job training, community development, urban revitalization, waterfront development, small business, and promotion of tourism. The results of these and other efforts are evident. But they are not, in and of themselves, enough.

If New Jersey is to continue to lead the region economically, if we are to be ready for the next recession and the one after that, and if generations to come are to be able to compete successfully for jobs in an increasingly competitive world, then we must do more.

We must look at the changing nature of the state, national, and world economy and ask ourselves: what can we do today to make New Jersey a better place tomorrow?

One answer that will surely come is to rescue our cities. Despite the healthy job growth in many of our state's suburbs, parts of our inner cities remain a sore to the eyes and bring an ache to the heart.

We cannot abandon them. In the Information Age, they will remain our centers of information; in the service economy, they will remain our centers of humanity. Much of America is returning to its cities. New Jersey's cities have great potential, too. Our task is to realize it.

Several of the initiatives I have already mentioned, such as the designation of urban enterprise zones and the establishment of a Local Development Financing Fund, are specifically targeted at the problems of New Jersey's cities.

But there are many more specific things that we have done, and that we can do, to bring those cities to life.



In Newark, the state's largest city, we are proceeding with efforts to foster downtown redevelopment centered around the Gateway complex and the Pennsylvania Railroad Station.

One of the key features of the Port Authority agreement I mentioned earlier was a commitment by the Port Authority to finance the construction of a 150,000 square-foot office building between Penn Station and the Passaic River that can serve as an anchor for future office and commercial development in the area. Significantly, the office building would be linked by fiber optic cable to the Port Authority's Teleport on Staten Island, giving it the capacity to serve as the hub of telecommunications development in the area. The Port Authority recently issued a request for proposal for master planning and architectural work for this project, and I expect to see construction within the next two years.

I was also able to agree with Governor Cuomo that the amount which the City of Newark receives from the Port Authority in lease payments for Newark Airport should be substantially increased. Currently, Newark receives \$1 million annually; under the agreement, it will receive an increased initial payment, with annual payments increasing to over \$15 million in 10 years. This increased revenue can hold down the property taxes that have proven so difficult for all New Jersey cities.

The operation of the Airport itself is also a major source of job growth in the Newark area. Newark Airport is the fastest growing airport in the region, thanks largely to the expansion of People Express Airlines and increased advertising campaigns on behalf of the Airport, both of which my administration has been active in encouraging.

After a decade of searching for a site, I announced plans this year for construction of a 1,000-bed prison in Newark, which is scheduled to open in 1986. The construction and operation of this prison, which will be located off Routes 1 and 9 near Newark Airport, will bring jobs to Newark, because I intend to make sure that Newark residents receive preference in hiring for jobs associated with the building of the prison, and in the staffing and provision of services to it after it is built.

We are also beginning to make progress in the development of other cities, but I will need your help in furthering that progress in the year to come.

This past year, we were successful in winning an \$11.2 million grant from the Federal government to provide for development of the Camden Transportation Center. In many cities across the country, urban renewal has centered around key links to transportation networks. I believe that the Transportation Center can serve as a focal point for development in Camden.

Our Department of the Public Advocate helped keep jobs for Camden by arguing before the U.S. Supreme Court in favor of Camden's right to set aside public works jobs for city residents. Camden's ability to give preference to local residents in building its prison was upheld. Our construction of that prison, which should be complete next year, will bring 300 jobs to the city.



Atlantic City presents a special set of urban problems. Nineteen eighty-three was a very good year for the casino industry, and its increased profitability should allow it to build on the 31,000 jobs it has already brought to that shore resort.

But until now, despite the reinvestment provisions of our casino laws which have been in effect for over six years, many of Atlantic City's neighborhoods and residents have not shared in the prosperity generated by the casinos. Legalized casino gaming has yet to fulfill the promise its sponsors envisioned as "a unique tool of urban development for Atlantic City."

High initial investments by casino operators, a built-in five year deferred investment period, and a host of other problems have prevented the successful channeling of casino funds into redevelopment of Atlantic City's poverty stricken neighborhoods. The time has come to remove these roadblocks and fulfill the original promise of the casino experiment.

Late in the last session, I submitted to you my proposal for the amendment of the reinvestment provisions of the Casino Control Act to ensure that investments are immediately made in Atlantic City, and subsequently spread to projects throughout the eight counties of South Jersey.

The legislation would create a South Jersey Development Authority which would issue bonds and oversee the investment of at least half of the casinos' reinvestment obligation. The Authority would be chaired by the Chairman of the Casino Control Commission, and would include representatives of the Commission, state government, the casino industry, and the South Jersey public.

One significant provision of the bill requires that 15 percent of the monies reinvested be used exclusively to finance projects which will provide housing to low and middle income residents. This provision is especially noteworthy in light of the recent approval by the Casino Control Commission and a state and local task force of a plan I have supported to provide thousands of new and rehabilitated housing units in the city's Inlet section. The current housing conditions in Atlantic City are intolerable, and improving them is one of the keys to a brighter future for Atlantic City.

This new reinvestment legislation will have three key effects: it will accelerate the reinvestment process and require that it begin this year, it will eventually generate over \$1 billion in investment funds for the eight South Jersey counties who bear the brunt of public costs associated with casino gaming, and it will help bring sorely needed affordable housing to the low and middle income residents of Atlantic City who are still waiting to feel the benefits of the success of the casinos.

I urge its prompt adoption.

In each of the past two years, I have asked for increased funds for the Safe and Clean Streets program, a

program administered by our Department of Community Affairs which helps cities add police and firefighters to their local forces, and which can help some cities avoid layoffs to those already on the force. I will continue to ask for your support in providing these needed funds for police and fire protection.

Several other Departments of state government have plans which will positively affect our cities. The Department of Transportation has several projects designed specifically to spur development of inner city areas. Our Department of Education is initiating a new program which I shall discuss shortly to deal with the special problems of urban schools.

But until now, our efforts to restore health to New Jersey's urban areas have been piecemeal. Redevelopment has been uneven at best, and scattered at worst. Some of our cities are well on their way to a brighter future; others are still saddled with the problems of past neglect.

Today I have outlined a range of statewide initiatives and individual projects that we are undertaking to help rebuild our cities.

To date, however, there has been no overall effort to coordinate our urban initiatives; no single entity to formulate an overall urban strategy.

I do not have to stress to you the importance of our cities to the future health of our state. I believe that their plight demands our attention and our careful thought.

Therefore, today I would like to propose the establishment of a statewide Urban Development Corporation to develop and coordinate our program for rebuilding the cities. I do not envision a great cost being associated with such a Corporation. Its directives could be carried out by existing program staff in the state's executive departments and agencies. Its charge would not be to demand new resources from the state, but to use those we are now devoting to the cities more effectively. Its purpose would not be to spend money, but to target and coordinate what we are spending already.

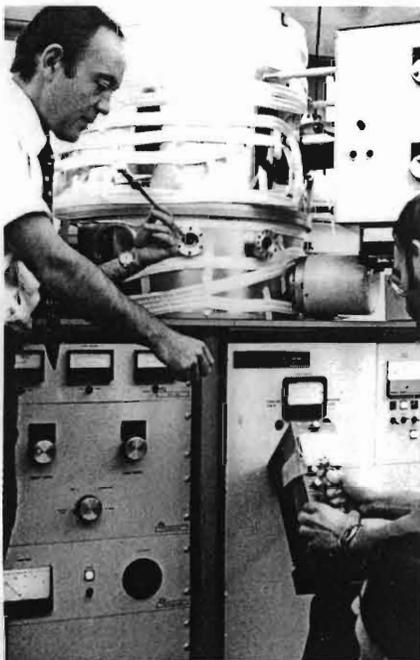
The Corporation would be made up of both public and private members, members who have experience in working with the problems of our cities, and who can bring some understanding to the problems.

The establishment of such a Corporation could turn our collection of good faith efforts to solve urban problems into a forceful, comprehensive urban development strategy which can be targeted to meet the particular needs of individual cities.

Refurbishing our cities is just one step we will have to take to ensure that New Jersey competes successfully for the jobs of the future.

Another is preparing our work force for the changing needs of employers that are arriving with the Information Age. As you know, in 1982, I appointed a Governor's Commission on Science and Technology to help us determine how to best ready our state for the high technology economy. That Commission has now come forward with its recommendations, and today and in the coming year I will ask for your support for many of them. Adoption of these recommendations can help bring jobs to our state.

A key element of the Commission's strategy will be to more effectively link the needs of employers with the training of potential workers. We must usher in a new era of cooperation between industry and academia.



To do so will require major improvements in our system of higher education in New Jersey. I shall outline some proposed improvements which I believe merit your support when discussing higher education. Suffice it to say that those areas which have succeeded in spawning high technology industries in the past have provided those industries with access to high quality research, and to a pool of highly trained researchers. The value of an investment in advanced research and in science and technology training will be returned many times if it brings jobs in its wake. And experience has shown that it will.

The economy of the future will not only be increasingly dependent on high technology for new jobs, it will be characterized by a greater degree of regional, national, and international interdependence.

In the Northeast region, we are not alone in the needs we face, the problems which confront us, or the jobs for which we are competing. Improving our basic infrastructure, upgrading our transportation network, and cutting potential economic losses caused by environmental problems, can all be aided by reaching out to our colleagues in Harrisburg and Albany, in Boston and Hartford, and in capitals throughout the Northeast.

Our companies must also reach out to markets in these states, and New Jersey must seize the opportunity to become a leader in the region when it presents itself.

One example of an area in which we can step ahead of our neighbors is in the development of a regional food distribution center.

Last year, you passed Senator Cowan's legislation, which I amended and then signed, to foster the development of such a center in the Hackensack Meadowlands. The region sorely lacks one now, and in fact, many of the foodstuffs currently being provided to consumers in the northern part of our state are shipped from the Hunts Point Terminal Market in the Bronx. The site that we have proposed has excellent access both to major highways and to rail lines. It could provide adequate parking and sufficient work space.

An engineering study recently completed by the Hackensack Meadowlands Development Commission found that construction of the food center was "technically and functionally feasible."

In short, the food center is needed, and it appears to be suited to the Meadowlands site. I strongly support its development.

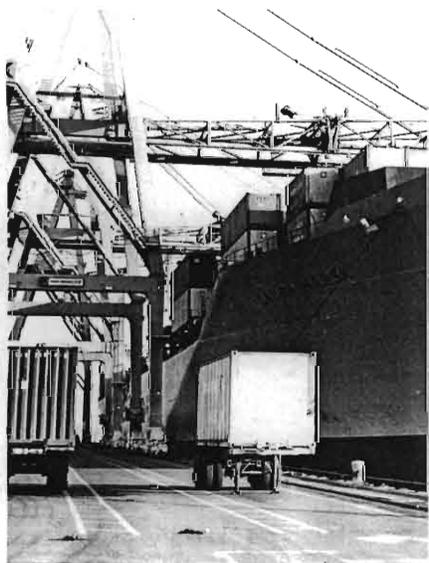
In the near future, I will be establishing a Hackensack Meadowlands Food Distribution Center Commission to perform the financial feasibility study, and if appropriate, to move ahead with construction of the center. This Commission is called for in the legislation you approved last year, and its establishment will be another step in bringing this long sought after project — which will create 4,000 jobs — to Hudson County.

But the market of the future is more than just a regional market — it is a world market. New Jersey, with its prime location on the Atlantic seaboard, is in perfect position to take advantage of the growth of international trade.

Our division of International Trade has been helping small companies who might not otherwise have the resources for export reach out to the world market. During this Administration, it has represented over 100 companies at trade shows all around the world. It has also sought to promote "reverse investment" — the investment by foreign companies in New Jersey. In the past year many foreign companies have opened the doors of facilities in our state and brought jobs to New Jersey.

Our Department of Banking has helped put New Jersey first in the export trade, too, by overseeing the creation of the first multi-bank export company in the country, BITCO, made possible by passage of the Federal export trading company legislation in late 1982.

In the coming year, I urge your support for legislation which would strengthen New Jersey's natural advantage in the export market – first, by encouraging the formation of the Port Authority's export trading company, and second by making New Jersey one of the first states in the nation to have its own Export-Import Bank. Both of these bills will help generate sales for New Jersey abroad – and jobs at home.



In the last session, you failed to pass a very important piece of job-creating legislation: that creating a New Jersey Infrastructure Bank. The Infrastructure Bank would create over 70,000 jobs in transportation, and another 50,000 in wastewater treatment construction. As you know, legislation has been introduced in Washington by the chairman of the Senate Budget Committee, Senator Domenici, and by Senator Bradley, which would make the New Jersey Infrastructure Bank a model for the nation. Moreover, the Infrastructure Bank plan would strengthen our state's ability to attract jobs over the long-term, because of the transportation and environmental improvements it would make possible.

The Infrastructure Bank plan has been hailed by members of both political parties as an innovative means of addressing the very serious need to repair and improve our roads, bridges, and water supply systems. We need the jobs its adoption would bring. I urge you to consider it again during this session.

Finally, despite New Jersey's improved economic performance in the past year, and the many job-creating initiatives we are undertaking, there are still far too many New Jerseyans who cannot find work. We must make sure that help is available for these men and women and their families.

That is why I must once again call upon you to consider legislation which would reform New Jersey's unemployment insurance system to ensure its solvency.

As you know, although the deficit has been cut since my Administration took office, that system is now over \$424 million in debt. We were fortunate in the most recent recession that we were able to pay back immediately the \$78.5 million we had to borrow from the Federal government in order to keep paying benefits. But there is no guarantee that we will be so lucky in the next recession, and there is no guarantee that the Federal funds will be available.

Last year, in the absence of action on the unemployment insurance reform package which I submitted to you, I appointed the Governor's Commission on Unemployment Insurance reform, comprised of representatives from labor, business, and government. The Commission was charged with coming up with the best way to ensure the future viability of our unemployment insurance system.

That Commission will be reporting to us in the very near future. I stand ready to work for the implementation of the reforms it proposes; and I would ask that you join me in that work.

Not only would reform of unemployment insurance ensure that we can continue paying benefits – including, in the package I originally submitted, a higher average weekly benefit – it would have the added benefit of removing a disincentive to new companies from locating here and bringing jobs to New Jersey.

I hope that the reform legislation you adopt will include the switching of New Jersey from a "wage request" to a "wage record" state. This would allow us to calculate and thus pay benefits more quickly and efficiently, and it would also allow New Jersey to qualify for a Federal grant to complete the automation of its benefits payments system.

As you can see, we have a full agenda for the coming year in our continuing effort to bring more jobs to New Jersey. But there is one item that is not on our agenda, but on the Federal agenda, which is so urgent that it demands our attention.

The economic recovery which brought such good news to New Jersey in 1983 could come crashing to a halt if the Federal budget deficit is not sharply reduced.

Massive Federal borrowing could very easily lead to a rapid rise in interest rates as the demand for credit becomes more intense in the year ahead. I call upon our representatives in Congress to act responsibly and quickly to reduce the Federal deficit before it strangles the recovery.

I hope all of you will join me in that call.

ENVIRONMENT

In a state as densely populated as New Jersey, with such a heavy concentration and variety of industrial activity, the need to protect our environment is obvious. It is also an increasingly important imperative in the public mind.

What has not been so obvious in the past, however, is the extent to which a clean and safe environment complements, rather than hinders, economic growth and job creation. Quality of life is as important to employers as it is to employees. All of us want to live and work in an environment that is both productive and safe; that affords us the opportunity to enjoy the fruits of economic activity



and the richness of nature. Nothing could threaten New Jersey's continued economic growth more than our failure to ensure that the environment in which the employees and employers of tomorrow will work and live is safe, that the water they and their families will drink is pure, that the air they will breathe is clean.

Fortunately, New Jersey as a state has recognized the importance of a clean environment, and the fact that an investment in environmental protection and cleanup today will be returned many times in the increased attraction which a better quality of life gives a state.

Just recently, a leading national environmental organization conducted a major study of the "effort states are making to provide a clean, healthy, and pleasing environment for their citizens." New Jersey ranked third among the states. I think we can be proud of this achievement.

It is widely recognized that New Jersey is ahead of all other states in the nation in addressing the threat to the environment posed by hazardous wastes which have been disposed of improperly. In February, I announced an aggressive four year plan to clean up hazardous waste sites in New Jersey. During the course of the year, we made significant progress in implementing that plan.

To date, we have signed 21 agreements with the U.S. Environmental Protection Agency (EPA) to be used for cleanup of 19 of the sites listed on the EPA's national Superfund priority list.

As you know, New Jersey has placed more sites on that list than any other state in the nation, largely through the hard work of our Department of Environmental Protection (DEP) in identifying sites and seeking Federal help for their cleanup. This September, 20 sites were added to New Jersey's Superfund total, bringing it to 85.

This past year, we also successfully completed the cleanup of 33 small drum dump sites, using funds from the state's Spill Compensation Fund and Hazardous Discharge Fund.

In all, since 1980, the state has cleaned up over 10,000 drums from 70 sites at a cost of \$35 million.

New Jersey is also ahead of its fellow states in taking legal steps to address the hazardous waste problem. We have continually upgraded our anti-dumping law enforcement efforts, and last month we were the first state in the nation to file a claim against the Federal Superfund for damage done to the state's natural resources. The \$1.2 billion we are seeking in that action would come in addition to the Superfund aid we are seeking strictly for cleanup of sites.

All of you are undoubtedly aware of the effort we made in the past year to identify and control the threat posed by dioxin at sites around the state where it was manufactured or was a byproduct of the manufacturing process. Again, New Jersey was the first state in the nation to address this problem, and we successfully controlled the sites and removed the dioxin from public areas in order to protect our residents.

Finally, your action in passing the Worker and Community Right to Know Act in 1983 helped thrust New Jersey into the national lead in worker and community safety. I was happy to sign this legislation, which requires that workers and communities be informed of substances that are being

produced or handled in the workplace, because, as I said at the time of the bill's signing, I believe that safe jobs are the best jobs for New Jersey.

Despite all of our significant progress in 1983 on the issue of handling and cleaning up toxic substances and wastes, we have not accomplished nearly enough.

There are few issues that are more critical to the future of our state than hazardous waste disposal, and there are few issues more difficult and complex. Few issues require greater foresight; and few have been ignored at such great peril in the past.

When the Congress passed the law authorizing Superfund in 1980, it underestimated the size and complexity of the problem. The existence of Superfund has been critical in identifying the size and scope of the problem, and in preparing plans for controlling and cleaning up sites.

But if we are to complete the actual cleanup of the nation's and the state's worst sites, Superfund must be both reauthorized and enlarged. Now that we have a clearer idea of the task before us, this is a more urgent priority than ever.

New Jersey's U.S. Senators, Bill Bradley and Frank Lautenberg, have introduced a bill that would extend the life and increase the size of Superfund. All of us who call ourselves New Jerseyans should unite behind this bill and work for its passage. Personally, I commend our two Senators for taking the lead on this legislation, and I stand ready to assist them in any way I can in working for its passage.

We cannot, however, depend entirely on the Federal government either for cleaning up all of our sites or for preventing new sites from becoming hazards in the future. Those tasks require both careful planning and greater investment on the state level.

In 1983, the state's Hazardous Waste Siting Commission, after a series of public hearings, adopted siting criteria for new hazardous waste disposal sites.

The siting of such facilities is one of the most difficult and volatile environmental tasks that we must perform. Yet we cannot ignore or run away from the problem. To do so would only encourage the kind of unsafe and illegal dumping which has taken place in the past, or force us to accept a less than optimal solution in the future.

The siting of hazardous waste facilities should be approached in the most professional and dispassionate way possible, with the safety of the public our primary concern in making any decision.

This year, the Commission will implement a new process of mapping possible sites that will enable it to make more informed, and therefore more sound, decisions. The mapping process is the most sophisticated ever developed in the state of New Jersey. It will help us make progress on an issue on which we must make progress.

After all potential sites have been examined and carefully evaluated, the next step will be integration of the results with the Management Plan we have developed. After that, applications for new facilities will be accepted.

Of course, the state must play a greater role than simply planning and identifying the sites of hazardous waste facilities.

Later this month, I will submit to you a budget for next year which calls for a greater state commitment to funding hazardous waste cleanup.

I will also ask for your support for a new initiative that will enable us to pay greater attention to the health effects of exposure to toxic materials at various sites around the state. The program I am proposing will allow us to conduct comprehensive medical screening programs at sites throughout New Jersey. It will also enable us to create a toxic substance registry that will give medical experts the ability to track the health status of New Jersey citizens to help them determine the causes of cancer and other diseases. And it will provide for the upgrading of laboratory services to provide the analytical support for the technical studies we will be conducting.

But a comprehensive program to address the relationship between hazardous materials and public health risks must do more: it must actively seek to prevent overexposure to toxic substances.

Accordingly, in the coming year, I propose that we undertake several initiatives to prevent unsafe levels of exposure.

First, despite recent Federal activity that has raised the question of pre-emption of state statutes, we must follow through on the action we took last year in passing New Jersey's Right to Know law and move forward strongly with the implementation of that law. As you know, we recently filed suit with other interested parties in Federal court to challenge the right of the Federal government to adopt regulations which are weaker than ours.

In the time preceeding the effective date of the labeling requirements set forth in the legislation, we should work with all interested parties to develop sound, effective regulations for implementing the law, and to resolve any specific problems that remain outstanding.

Secondly, I will shortly establish a Commission on Risk Assessment to recommend toxic contaminant exposure levels. Our citizens face the possibility of exposure to a range of toxic contaminants in a variety of situations. What is needed is a generic approach to the problem of exposure that is based on scientific evidence and the most current medical knowledge. The Commission on Risk Assessment will be called upon to develop such an approach, to make sure that we understand the exact nature of risks to public health, and to minimize those risks.



Thirdly, we will proceed with the effort to set standards to ensure that the water our citizens drink is safe. As you know, you passed and I signed legislation developed by our Department of Environmental Protection which calls for such an effort at the end of the last session. Clean drinking water is the most vital of our natural resources. In many ways, it is our life blood. We must act now to ensure its continued supply, and the continued integrity of that supply.

Some environmental crises, such as hazardous waste disposal, attract attention and literally demand a response. In New Jersey, we have a record of progress on these issues both at the legislative and Executive level.

On some issues, however, we have no cause for self-congratulation. Solid waste is such an issue. For years we have run away from the hard choices required for a solution. Solid waste has been in crisis in New Jersey for 10 years. In the last one and a half years, we've had to make a series of hard decisions to come to grips with the crisis. But we've also been working in a bi-partisan effort on solutions.

These solutions are now more vital than ever. In just a few years, the issue will no longer be which county takes which garbage; instead, it will be where to find room to put any of the garbage — even if we all agree to share the burden equally.

Legislation designed to prepare us for the next phase of solid waste management and to clear the way for resource recovery is now ready for your consideration. I hope it will be forthcoming early this session.

The legislative package I will be submitting to you will do several things. First, it provides for private investment in the construction of resource recovery facilities. Second, it calls for the establishment of a solid waste management fund in each county through a mandated surcharge on garbage disposal which will be used for the development of resource recovery and associated facilities. The tipping fee increase to finance these individual dedicated county funds would be phased in. Third, the legislation attempts to expedite the contracting process between the public and private sectors, and to maximize the use of available tax incentives for resource recovery development. Finally, it provides for the payment of penalties to those counties which are forced to accept for disposal garbage external to their boundaries.

Garbage is one of the most important problems of the 80's in New Jersey. We can no longer walk away from the problem; it has arrived on our doorstep. There is no question that there will be a high cost to taking a responsible approach to solid waste and resource recovery. My contention is that we must be prepared to bear it, for the costs of taking an irresponsible approach will be much greater.

In 1983, you did take a very responsible approach to the preservation of our open spaces and natural habitats in New Jersey. And the voters endorsed your approach.

They approved the \$135 million Green Acres Bond Act, which included provisions for the establishment of a Green Acres Trust Fund. This \$83 million revolving fund will allow us to make the most out of every dollar of bond funds, and will provide the Green Acres program with the predictable, long-term source of funding that is so crucial to effective planning.

We also continued to purchase and protect environmentally sensitive land in New Jersey. To date, my Administration has purchased over 21,000 acres of such land, including 12,573 in the Pinelands preservation area. This year, we will develop a recreation master plan for the Pinelands and continue the acquisition of acreage which is critical to preserving essential natural areas.

This year, I believe that we should also re-establish our commitment to the state park system. Indeed, I would like to proclaim 1984 the "Year of the Parks." Throughout the year, we will sponsor a variety of programs in our state parks that underscore the many recreational opportunities available in New Jersey.



We will also expand our wildlife management areas within the state, and continue to pursue efforts in environmental education and endangered species protection. In 1983, over 1 million trout were stocked in New Jersey streams, ponds, and lakes, and we increased by 11 the state's list of endangered species, bringing the total to 35. In the coming year, we will work for the long-term protection of natural habitat areas by beginning a stamp program which will be used to finance a state fund dedicated to the purchase of natural habitat areas.

One of the greatest threats to those natural habitats is the high acidity of the rain which is falling on New Jersey's lakes and forests. The acidity is the result of continuing high levels of sulfur and nitrogen oxide emissions from power plants and factories in the Midwest. Ironically, New Jersey and many other states in the Northeast have already taken strong steps to limit emission of these pollutants in our region.

This past year, New Jersey took the lead in calling for a national policy to address the problem of acid rain. In early December, I hosted a conference with my fellow Northeastern Governors at which we reached a regional consensus on how to fight acid rain. The unified approach that grew

out of that conference can serve as the basis for a national program to stop acid rain from causing further damage. In the year ahead, we will be working with our Congressional delegation, and with the delegations from all the northeastern states, for passage of Federal acid rain legislation.

Fighting acid rain is just one of the issues dealing with our air on which we made significant progress in 1983. New Jersey also submitted, and had approved by the U.S. Environmental Protection Agency, its state implementation plan for the Clean Air Act. Part of this plan was our successful return to once a year motor vehicle inspections by allowing motorists the option of having their cars inspected at approved private garages.

We also came forward with two innovative regulatory schemes, the Clean Coal Incentive and the Sulfur Bubble, which can serve as examples of how business and the environmental community can work together to keep our air clean and hold down the cost of doing so.

Clean air is something the people of New Jersey want; something for which we have worked very hard. I repeat the call I made last year for Congress to reauthorize a strong Clean Air Act, one that does not weaken our commitment to keeping our air clean.

The Federal government should also look again at the question of the dumping of dredged sludge materials off the Jersey shore, although in this case it is the EPA and not the Congress which must act.

The capability of the ocean dumping sites off the North Jersey shore to absorb additional dredge spoils is beginning to show its limits. The shore is one of New Jersey's treasures; we cannot ignore the consequences of this dumping for the future of an area that means so much to so many. Our fishing and tourism industries are far too important to the people of this state and to our economy to be put at risk. The EPA is considering a move to require that material from New York harbor be dumped at a site 106 miles out. This is essential to the continued health of the Jersey shore, and I call upon the EPA to adopt this rule.

The importance of protecting our shore was recognized by the voters in 1983 when they approved the \$50 million Shorefront Protection Bond issue, the passage of which was the culmination of many years of effort by Assemblyman Villane. These funds will enable us to mitigate the natural damage done by the ocean to our shorefront communities.



In the coming year, I believe that we should not only seek to limit damage to our shore and to our ocean resources, but we should work to enhance and develop their advantages to their maximum potential.

I will propose the creation of a Marine Fisheries Development Corporation to spur domestic and foreign investment in the fishing industry. The Marine Fisheries Development Corporation would help bring in the private sector as a full partner in the development of our ocean resources, and would help us tap their economic potential in an environmentally sound manner. It would offer one-stop shopping for development purposes, coordinating the efforts of various agencies of state and local government.

You also recognized the importance of another regional issue this past year when you approved the regional compact on the disposal of low-level radioactive wastes. This is another problem that will not simply go away, and New Jersey is wise to push for the adoption of a regional approach to its solution. It is now incumbent upon your colleagues in other state capitals in the region to exercise the same foresight.

A final, and perhaps the most important, environmental issue which must be addressed in the coming year is water – both its supply and the treatment of wastewater.

The voters recognized the importance of improving our aging public water supply system in passing the Water Supply Bond Act. However, little incentive for such rehabilitation has existed because loans under the program are offered at prevailing interest rates. I propose that we offer low-interest loans in order to encourage the rehabilitation of these aging water systems.

In 1983, we continued preparations for the dredging of the Delaware and Raritan Canal to dramatically increase the passing flow in the canal. We will continue this and other water supply initiatives in 1984.

Less progress was made in the area of wastewater treatment. Although municipalities and authorities in the state received \$184 million in Federal construction grants last year, it remained clear that Federal Clean Water Act goals will not be met unless a new approach is taken that can provide increased and continued financing for wastewater treatment facilities.

There are two pieces of legislation that can help us develop such an approach.

The first would allow for private investment in wastewater treatment plants. This bill will encourage public/private partnerships by allowing the private sector to take maximum advantage of tax laws and the resultant tax savings in developing a project. It will also allow communities to take advantage of those cost savings through lower user charges.

The second piece of legislation, of course, is that which proposes the creation of a New Jersey Infrastructure Bank.

You know the details of this proposal; it has been before you for well over a year now. Suffice it to say that this legislation is necessary not only because it will provide the long-term financing necessary to meet Federal clean water mandates and make the most of every Federal dollar New Jersey receives, but because it will also create jobs for New Jerseyans. In the wastewater treatment area alone, the Infrastructure Bank will create 50,000 jobs in the state.

The goals of more jobs and a cleaner environment are not inconsistent, as the Infrastructure Bank demonstrates. It is time to put aside partisan political differences and move ahead with the creation of a Bank that will allow us to pursue both of these priority goals.

EDUCATION

Nineteen eighty-three was the Year of the School in New Jersey. And indeed, in the past year, an unprecedented amount of attention has been focused on upgrading the quality of the teaching in our schools and the skills of our students.

In my view, this attention is fully warranted. When I came before you in September to outline my blueprint for education reform in New Jersey, I stressed the importance of quality education to our state and our country.

Let me repeat that message: there come times when certain issues become so vital to the quality of our society and to its very survival that we ignore them at our own peril. Today, education is such an issue.

We stand at a point at which this generation may be the first generation in our nation's history to be less well educated than its parents. Perhaps more disturbingly, our children risk being less well educated than their peers and competitors in other countries.



It has been said that the repair of our basic infrastructure is essential to our future economic health and to our ability to attract and retain jobs. It is time that we repair and strengthen the most basic and most important piece of infrastructure of all: the mind.

There are those who say that the status quo in education is good enough. I ask them if they are willing to put the future of their children at risk on that proposition.

Last year, I proposed a multi-point program to improve the quality of teaching, and the quality of learning, in our schools. In the year ahead, we will move forward with the implementation of several elements of that program, and I ask for your cooperation and assistance in this critical endeavor.

Within the next ten years, over half of the teachers now teaching in the schools will retire or leave the system. The question before us is how to replace them with the most talented and capable group we can attract to the teaching profession. For whatever reason, our most talented students are no longer choosing to major in education. Those students currently enrolled in teacher preparation courses of study in New Jersey scored far below both the state average and the national average on their verbal and mathematics Scholastic Aptitude Test scores.

The plan I presented to you proposed an alternative route of certification for teachers. I believe that we must broaden the base of talent which is attracted into the teaching profession. The new teacher certification proposal is designed to do just that.

It would allow an individual who meets the following three requirements to become a certified public school teacher in New Jersey:

1. Earn a baccalaureate degree from an accredited college or university.
2. Pass a difficult subject-matter test in the area one wishes to teach.
3. Successfully complete a year-long, supervised internship teaching in the schools.

Merely opening up the teaching profession to non-education majors will not, in and of itself, attract needed new talent into the field. In too many cases, the salaries paid by local school districts are not commensurate with those offered by other fields. This is one reason that our schools are unable to attract the most qualified students.

I proposed that we increase the minimum starting salary for teachers in New Jersey to \$18,500 per-year. In the initial year, the state would make up the difference between the local scale and the new minimum, with the share of the difference paid by the state being phased out over five years, as overall state support increases.

I also proposed greater incentives for those excellent teachers already in our school systems. Those selected as master teachers would receive special recognition and a \$5,000 bonus.

And to provide teachers and administrators with the opportunity to update and broaden their skills, I have proposed the creation of an Academy for the Advancement of Teaching and Management.

Taken together, these proposals represent one of the most innovative approaches to the problem of teacher quality in the entire nation. Moreover, they are responsive to the obvious concern of our citizens, 82 percent of whom indicated in a recent poll that they think the problem of attracting talented people to the teaching profession is a serious problem.

But they are not the total solution to the variety of problems faced by our public schools. And while we are proud to have established New Jersey as a national leader in the movement for educational reform in 1983, we also accomplished a number of less glamorous but equally important reforms during the past year that will improve the education we give to our children.

Last January, the State Board of Education approved a new testing system which will improve our understanding of student progress in reading and computation in the third and sixth grades, and which will usher in a much more rigorous test of basic skills for ninth graders. In the past, we have been content with minimum basic skills from our ninth graders. The new tests are a clear indication that minimums are not good enough any more; the goal is excellence. The new tests will serve as part of a student's high school graduation requirements, and the higher skills they demand will help make students more productive members of society and better able to compete for jobs in the future.

As part of the effort to stiffen high school graduation requirements, the first statewide writing assessment test was administered this spring to all public school ninth graders. This test will help school districts identify and correct shortcomings in their writing instruction programs, and it will help students and teachers prepare for the writing test that will be a part of the high school graduation requirements that become effective in the 1985-1986 school year.



The State Board also approved changes in seniority regulations that we had proposed in order to ensure that we keep the most qualified and experienced teachers in the classroom. Under the new regulations, teachers will earn seniority only in the subject matter fields in which they have actually taught. This means that those school districts which face layoffs will be better able to retain those teachers who are most familiar with the material and who have the most experience actually teaching it.

The subject matter fields in which there are the greatest shortages of qualified teachers are science and mathematics. In 1982, New Jersey's teacher training institutions graduated only 12 future science and math teachers, this at a time when the demand for quality science and math instruction and students trained in those subjects is at its greatest.

In response to this shortage, I appointed an Advisory Council on Math/Science Teacher Supply and Demand to make recommendations concerning the availability and training of math and science teachers both now and in the future. The Advisory Council, made up of experts in education and higher education from both the public and private sectors, issued its recommendations in December. In the coming year, I look forward to working with you, and with the Boards of Education and Higher Education, in implementing the Advisory Council's recommendations.

The jobs of tomorrow will demand science, math, and computer skills from our children. We must ensure that the education we give them provides these skills.

In the past year, we have also changed, and improved, the way in which the state implements the Public School Education Act of 1975 – the so-called "thorough and efficient" law.

In the past, the emphasis has been on monitoring and compliance, some of which was unnecessary and merely served to overburden school districts, which were doing a good job, with paperwork. We have changed the focus to planning to meet the needs of our children.

During the next two years, every school district in the state will be rigorously monitored using new guidelines adopted by the State Board of Education in August. School districts that meet the new requirements will be freed of excessive and constant monitoring; they will be certified for a period of five years.

This will allow us to concentrate our efforts, and the limited resources of the state, on those districts which most need our help. As I said in my September address to you, it means that "urban school problems will finally get the attention they deserve."

In the past year, we have taken several concrete steps to address the needs of urban schools, including the creation of an Urban Advisory Council to the Department of Education and the conducting of seminars on effective schools research and how it can be applied to urban districts.

We now stand ready to launch a major, comprehensive initiative to improve the plight of urban schools. The program I am proposing recognizes the many elements of the difficulty facing urban educators. It recognizes

the need to set and adhere to the same rigorous standards for urban students as for all others. At the same time, however, it will help us design and create the kind of support structure that will better help urban youngsters develop all of the rich potential that they possess. And it will help us deal directly with some of the social problems, such as drug and alcohol abuse, which, although a problem in every school district, are a particularly destructive force in a significant number of urban schools and districts.

Any proposal to solve the problems of urban schools, if it is to be successful, must address the following critical problems: substance abuse, upgrading of basic skills, providing programs for dropouts, fostering computer literacy, improving pupil attendance, providing educational alternatives for disruptive students, and expanding secondary school options for special education youngsters.

I have directed the Department of Education to come forward with a workable plan for implementing this important urban initiative no later than March of this year, so we can begin as soon as possible.

This will be an ambitious proposal, because I believe that we must face directly the problems of urban schools. There are models of successful urban programs around the country, lessons which we can apply here in New Jersey. The point is that urban education deserves our attention. And it will get it.

HIGHER EDUCATION

For far too many years, higher education has been relegated to the bottom of New Jersey's list of priorities. In budget after budget, higher education has been forced to stand in line behind other Departments for needed increases.

This policy has been foolish, and if it were to be continued, it would surely damage the state's future. The relationship between New Jersey's economic well-being and the quality of its system of higher education is strong; we simply cannot afford to ignore the latter if we want to improve the former. Moreover, if we are to prevent New Jersey's best minds from being lured out of state, we must ensure the quality of our own institutions.

Last year, this Administration began to redress the years of neglect from which the state's system of higher education had suffered. Higher Education was one of only three Departments to be recommended for an increase even in that time of recession.

Today, I would like to build on the progress we began to make last year. Today, I would like to set forth a plan of action for higher education in New Jersey. Today, I would like to plot a strategy for the future.

It is time to focus the full attention of the state on our system of higher education; to give it the capacity to better train today's students in science and technology and in liberal arts, social sciences, and humanities; and to enable it to provide a more skilled and talented work force to a changing economy.

New Jersey has long been a center of technological innovation. No other state has more scientists and engineers per capita. Ten percent of all the research and development in the world is performed by New Jersey firms, but presently too much of it is performed out of state.

If New Jersey is to not only maintain its edge but also to seize the advantage in the technology-based economy of the future, it must further develop the system of colleges and universities which will give it the brainpower to do so.

The key to our success in securing our position at the forefront of the technological revolution and the high tech economy which it is already creating will be increased cooperation between industry and academia. The needs of high technology employers must be better met by the training provided in our institutions of higher education, and the private sector must lend more of its research expertise and knowledge of new technologies to the academic enterprise.

In short, we must form a new partnership between the twin missions of higher education and economic development. One must support the other. Each must encourage and support the other's success, or together they both shall fail.



I believe that New Jersey's government can play a pivotal role in bringing industry and academia together. The first step in acting on that belief was my appointment in 1982 of the Governor's Science and Technology Commission, a bi-partisan group made up of leaders from our top colleges and universities, business, labor and government. We are now ready to act further.

Last week, the Commission forwarded its recommendations to me. Chief among them is a call for the approval of an \$80 million higher education and technology bond issue to help finance the initiatives, reforms, and improvements necessary to carry New Jersey with strength into the high tech age.

Today, I would like to propose that we place this higher education and technology bond issue on the ballot in 1984, and I call upon you to enact legislation to make this possible. I am confident that the voters will understand the importance of making this investment in New Jersey's future. And I will work with you to win their approval for this bond issue.

The Science and Technology Commission has observed that higher education institutions play a key role in the growth of major technology-based industrial centers. As the significant high technology economic development near major university centers in Silicon Valley in California and along Route 128 in Massachusetts shows, universities can train the personnel and sponsor the research that supplies the raw material for economic growth.

As a result, the Commission has also recommended the establishment of several academic-industrial centers for advanced technology. The centers would be located at New Jersey institutions of higher education, and their research would focus on issue areas in which New Jersey has existing economic strength. In addition, a program of grants to stimulate research on specific subjects of concern to industry has been recommended. Today, I would like to ask for your support of these recommendations.

In the budget I present to you later this month, I will ask you to provide funding, both from the state budget and through the adoption of the higher education and technology bond issue, for the establishment of four centers for advanced technology:

- A center in biotechnology on the adjoining campuses of Rutgers University and the University of Medicine and Dentistry in Piscataway.
- A center in hazardous and toxic substance management in Newark through a consortium of institutions led by the New Jersey Institute of Technology and including Stevens Institute of Technology, the University of Medicine and Dentistry, and Rutgers University.
- A multi-disciplinary center in materials science, or ceramics, at Rutgers University.
- A multi-disciplinary center in food technology at Cook College of Rutgers University.

The creation of these four centers will not only thrust New Jersey into a national leadership role in each of these research areas, it will serve as the key stimulus for the creation of jobs in areas of emerging growth.

But if we are to fulfill the true promise that New Jersey holds for attracting high technology jobs, we must do more.

We must seek to improve technology training in a more comprehensive fashion at all levels of our society. This requires upgrading the quality of teaching in science, technology, and engineering both in colleges and universities and in secondary schools. It requires doing more to attract talented teachers in these subject areas. It requires broadening the scope and increasing the frequency of academic/industry exchanges. It entails providing a larger pool of technically trained workers to assume new positions in industry, and it demands that we increase the technological literacy of all our citizens so that they may understand and more fully benefit from the technological changes that are occurring in our society. I would like to recommend and ask for your support of a series of initiatives designed to accomplish these goals.

I will propose in my fiscal year 1985 budget that the state fund a special program for retraining and improving the knowledge of teachers already certified in math and science, and for training teachers certified in other areas to help us meet the math/science teacher shortage. These funds would also be used to retrain college faculty to teach computer science, another area in which a severe shortage exists.

I recommend that our colleges reallocate resources to develop a program that will encourage the exchange of faculty and qualified personnel from industry. Reallocated funds could be used to provide stipends to faculty who would like to gain some industrial experience, and to allow experts from the private sector to contribute to education on our college campuses.

I will endorse the use of funds from the proposed higher education and technology bond issue to build new engineering and technical education facilities at our two and four-year colleges. Moreover, I will ask you to provide state funds to continue our technical/engineering education program by purchasing state of the art equipment, so that students can receive training in the type of equipment already in use in New Jersey's industries. And I will recommend that you provide funding for a Computers in Curricula program to further incorporate computers into our state's higher education curricula.



Finally, I recommend that we require of all college students, courses designed to foster technological literacy and to achieve some minimum level of proficiency with computers, which have fundamentally altered the nature of industry, government, and education.

A truly educated society is knowledgeable in more than just technology, however. While technological training is vital to our ability to compete economically, training in the humanities and social sciences extends and enhances our cultural, intellectual, and moral tradition. The pursuit of these disciplines is crucial to the maintenance and growth of a vibrant, thoughtful society.

In our quest for economic strength, we cannot forget the power of ideas – ideas which help define our society and nourish our democracy.

In a democratic society, technical education alone is not enough. Our spirit and ideals, our historical roots and our understanding of democratic principles, the tolerance of other cultures and the unique characteristics which set our culture apart spring from a more humanistic education.

So, in addition to a program to upgrade technological training in New Jersey, I would like to propose a program to enhance education in the humanities.

I will ask you to provide in next year's budget an allocation for a program of grants for New Jersey's colleges and universities to strengthen their humanities and liberal arts programs.

The purpose of these grants would be several-fold:

- They would be used to establish honors programs to stimulate the interest of our brightest students in the humanities, and to attract to New Jersey students who would otherwise have chosen humanities programs at colleges in other states.
- They would help us build the excellence of academic departments in English, foreign languages, comparative literature, religion, philosophy, history, music, art, theater and other liberal arts and humanities subjects. Many of these academic departments at New Jersey schools are already strong; the added support we give them now could boost them to national prominence – and help attract serious students and scholars to New Jersey.
- They would assist our universities and colleges in bringing visiting scholars and artists to their campuses for a semester or a year, thereby enriching the intellectual environment and exposing students to leaders in their fields of study.
- They would support foreign language studies and foreign travel by students. Training in other languages and in understanding other cultures is sadly lacking in American education.

— Finally, the grants could be used to support the acquisition of library resources needed to make possible research and scholarship of world significance.



New Jersey boasts some of the finest institutions of higher education in the country. Yet too many of even our own residents choose to attend college out of state. The initiatives I have just outlined to strengthen both the technological and the humanities education programs at our institutions will help us attract both students and faculty who are looking for first rate academic and research programs.

But there is a final investment we must make to ensure that our higher education institutions can earn a reputation for excellence. That is an investment in the infrastructure — both physical and human — of the institutions themselves.

It is clear that funds from both the bond issue I have already mentioned and the state budget should be devoted to modernizing and renovating the facilities on our state college and university campuses. A top priority is the modernization of research laboratories and other instructional and research facilities that are vital in preparing New Jersey's students for the job market of the future. We must also continue to support a program to renew and renovate the capital plant at New Jersey's higher education institutions. Many repairs and outstanding needs have been deferred for too long. Now is the time to make sure that they are safe, usable, and accessible to the handicapped.

I believe that an investment in the human infrastructure on our campuses is also called for. Part of that investment is our effort to attract new faculty, and to make sure that our institutions have the fiscal ability to bring them on board. The State Board of Higher Education has endorsed a plan to provide special benefits to tenured faculty who exercise an early retirement option. Later this month I will ask for your support for funds to permit the institutions to make immediate replacements of the faculty who choose this option.

The program I envision will also provide a small amount of support for retraining of faculty to bring their skills up to date, both academically and in classroom teaching.

Finally, we must provide more to and demand more from the students at our institutions of higher learning if they are to earn the reputations we feel they deserve. I mean by this that we should stiffen the standards for regular admission into our four-year baccalaureate programs, that we should adopt more rigorous requirements for graduation from these programs, and that we should broaden the curriculum which must be completed before graduation.

The process of better preparing New Jersey's students for college and for life after graduation must include special attention to the economically and educationally disadvantaged. Particularly in urban areas, students are often denied access to higher education because they lack basic skills. The faculty at our urban public colleges can help to address this problem by participating in basic skills instruction and remediation, and by lending their expertise to teachers and administrators in urban school districts who must teach these skills.

Urban students historically have also been under-represented in fields requiring a high level of proficiency in science and mathematics. I ask for your support in developing programs to encourage these students to pursue these fields in the pre-collegiate years to help address that under-representation.

In addition to demanding more from those who wish to graduate from New Jersey's colleges and universities, we should provide them with more. Many of the higher education initiatives I have outlined are designed to enhance the reputation and the excellence of our institutions in order to attract more of our own students to our own institutions. I would like to propose another program to encourage our best students to attend college here in New Jersey. I would like to propose the creation of a Garden State merit scholarship program, which would award grants of \$1,000 a year to outstanding New Jersey students who attend New Jersey institutions. I will ask for your support for this program when I present my fiscal year 1985 budget to you.

I believe that it is time to redress the past neglect of higher education in New Jersey. The program I have outlined here will not only improve the quality of our institutions and enable us to retain more of New Jersey's emerging talent, it will help us bring jobs to our state. And it will prepare young New Jerseyans to perform those jobs in the future.

MANAGEMENT

In my report to you last year at this time, I stressed to you that our function in state government is to provide the greatest possible degree of service to the citizens of this state at the lowest possible cost to the taxpayer – in short, to “do more with less.”

One of the most satisfying achievements of the past year has been our progress in performing that function: in making government more efficient, in cutting waste, and in delivering more and better services to the people of this state while holding down the burden the state places on its taxpayers.

In 1983, the Governor's Management Improvement Plan (GMIP) completed its short-term analysis of the management and organization of the 20 Departments of state government. My Administration followed up on that analysis by executing the reorganization of each department in an effort to reduce extra layers of management and bureaucracy and to increase productivity and service delivery.

The results of that reorganization were impressive. In the budget I submitted to you for the current fiscal year, we were able to hold operating expenditures in 17 of those 20 Departments to fiscal year 1983 levels, thus allowing us to devote new resources to the priority areas of transportation, higher education, and corrections.

The reorganizations effected by GMIP enabled us to reduce the historical pattern of growth in the state budget by a total of \$102.5 million in the current fiscal year. And that led to the smallest increase in state spending in eight years. But perhaps the most important benefit of the GMIP study and reorganizations is that the savings generated are not one-time savings: the savings will be felt year after year, and their cumulative effect will therefore be substantial.

All of these benefits accrued to the state at little or no cost to the taxpayer. The GMIP study was the product of literally thousands of hours of time and effort donated to the state by hundreds of New Jersey's top executives. And it was financed by the generosity of the state's private sector. This is another fine example of New Jersey's tradition of good citizenship; we owe a debt of gratitude to the individuals who gave so freely of their time and expertise in an effort to make New Jersey's government work better.

To ensure that the effort to control state spending will continue, and that the state's scarce resources will be devoted to the true needs of the citizens, we realigned the coordination of the Treasury Department's authorized budget function to provide for the establishment of an Office of Management and Budget (OMB) coordinating function.

The creation of the OMB represents a dramatic change in our approach to planning and determining the state's annual budget. In the past, the executive budget has been allowed to grow without a comprehensive strategy behind that growth. Each year, the various Departments of state government almost automatically requested increases in operating and program expenses. The Governor merely adjusted priorities set, often reflexively, by the various Departments.

The function of OMB is to change that process through better coordination and planning. In the future, the state budget as recommended to the Legislature will reflect the results of a strategic analysis of the state's needs and the Administration's priorities, matched against the state's ability to pay for those needs and priorities.

The budget planning process will not be set on an ad hoc basis from the bottom up, but will result from careful planning from the top down. Budget targets will be set for the Departments, and they will in turn be called upon to balance competing priorities within those targets. Moreover, budgets will no longer be set for one year only in a vacuum.

Instead, budget planning for succeeding years will be a part of each year's executive budget process. In this way, long-term priorities can be set, unforeseen expenses and sudden jumps in the demands on the state's resources can be minimized, and investments in state programs can be better targeted to meet growing and changing needs.

In short, the budget will no longer be a reflection of the seemingly inexorable rise in state spending. Instead, it will be a powerful policy document that reflects a well thought out, carefully planned strategy.

In order to help develop that strategy, the Governor's Management Improvement Plan also undertook a long-term study of 12 key issues that loom large in the future of New Jersey state government. Last October, they presented me with a detailed set of options for addressing each of these issues. The strategic analysis

performed by GMIP will be very helpful in the years to come as we try to tackle major long-term problems.

One item studied by GMIP which can yield major savings to the state in the future is the automation of various data processing functions performed by state government. Last year, you supported funding for a major initiative in this year's budget to begin employing state of the art technology in order to make New Jersey's government more efficient. Some of that technology is already in place.



In the coming year, I will again ask for your support of funding to continue our data processing initiative. With your support, New Jersey can become first among states in the application of modern technology to improve both efficiency and the delivery of services.

The past year provided many other examples of how new, Information Age technology can be applied to make state government work better.

When I came into office, for example, almost seven out of every ten people who called our state's Division of Motor Vehicles (DMV) received busy signals. DMV answered less than one million of the 3.2 million calls it was receiving annually.

This year, we reorganized and computerized the Customer Service telephone operations at DMV. In the first month, the new computerized Customer Service Telephone Center answered nearly 16,000 additional calls, and eliminated all busy signals on the Division's two general information lines. In addition, the purchase of office automation equipment enabled some units of the Division to increase productivity by over 300 percent, and the purchase of new equipment to extract mail and process funds through DMV to banks enables one person to do the work previously done by six employees.

New technology will also allow us to eliminate the unnecessary paperwork which is so often associated with the operations of government.

In the near future, I will be appointing an Interagency Task Force on Paperwork Reduction and Forms Control. The goal of the task force will be not only to reduce the amount of paperwork required by state government, but also to cut the costs it places on the taxpayer. Our preliminary analysis indicates that significant savings can be realized through paperwork reduction efforts.

Several other Departments of state government are also implementing, or have implemented, programs to improve the efficiency of their operations and delivery of services. The Department of Labor is changing its wage reporting system to speed the payment of unemployment insurance claims, and it has also cut the backlog of unemployment and disability claims from over 600 to only 150. And the Department of Human Services is using Federal and state funding to institute two new computer based systems: the Family Assistance Management Information System (FAMIS), which will provide a comprehensive eligibility and client tracking system for Aid for Families with Dependent Children (AFDC), Medicaid, and Food Stamps to reduce duplication and case errors and will cut public assistance costs by \$15 million; and the Automated Child Support Enforcement System (ACSES), which will enhance collections from absent parents by \$7.6 million annually and cut administrative costs by \$10.2 million over the next three years.

Doing more with less entails more than managing budgets and information systems, however. It entails managing people as well.

In 1983, the Administration took several great strides forward in improving the morale, the management, and the productivity of state employees.



We began a comprehensive management training and development program for state employees, the Certified Public Manager program which I proposed to you in last year's Annual Message. Last month, the first 500 state government employees to participate in the program completed the first three levels of classroom training in basic practical techniques and application of supervision. The next three levels will be conducted by Rutgers University. The Certified Public Manager program is unlike any training program ever conducted by state government. Its emphasis is on practical management tools, and it seeks to develop such skills through the case study method and other "hands on" techniques.

The design of the Certified Public Manager program also reflects this Administration's commitment to the advancement of minorities and women. We stipulated that plans for the implementation of the program would not be accepted unless a significant number of minorities and women were included. The first class of Certified Public Managers included 17 percent minority men and women, with a total of 32 percent women.

The commitment to the advancement of minorities and women extends throughout all of our management efforts in state government. A greater number and a higher percentage of the state's work force are minorities today than at any other time in our state's history; 27.1 percent of the state's current employees are minorities. This represents an increase of nearly 8,000 employees since 1974.

In order to ensure that minority firms receive a fair share of state contracts, I have asked the Interagency Task Force on Minority Procurement, which I appointed this past year, to oversee the state's procurement policies with respect to minority and women-owned firms. One example of the progress we have made is the fact that our Department of Transportation awarded over \$16 million worth of Federal construction contracts to minority business enterprises, which represents just under 10 percent of the total Federal construction dollars awarded under the Surface Transportation Assistance Act of 1982.

Our commitment to ensuring that women are treated equitably in the management of state government is equally firm.

In 1983, I signed several pieces of legislation sponsored by Senator Lipman designed to protect the interests of women. One bill which I was particularly pleased to sign was the one which extended the life of the Commission of Sex Discrimination, which she chairs. The Commission has played a valuable role in developing legislation to remove all forms of sex discrimination from our laws, and it is important that this vital work continue.

The Commission also played a central role in highlighting the issues that led me to draw up an Executive Order which I signed last month to ensure equity in the compensation of state employees. Equal pay for equal work is a fundamental right, and I am determined to eliminate all forms of sex discrimination from state government.

Although there is no question that men and women are now compensated equally for identical job titles, my Executive Order calls for the creation of a Task Force on State Compensation Equity to conduct a title by title review of the state's job classification and salary assignment practices to make certain that those whose work makes contributions of equal value to the state — even though it may be performed in vastly different jobs — are compensated equitably.

In signing the order, my purpose is to make our government a model both for other states and for private employers in the effort to root out and eliminate sex discrimination in employment.



Although we have made great progress during the past year in holding down the cost of government, improving the delivery of services, and managing state employees, there is much more we can do in the year ahead to better the operations of our government.

I believe that there are especially significant avenues open to us to increase the incentives for excellent job performance now available to state employees.

In the coming year, I will work to design a program to provide financial rewards to state employees for exceptional work performance. Of course, no program to provide such rewards can be successful without the active cooperation of our public employee representatives, and we will work closely with them in designing and implementing our plan.

It is a fundamental American tradition to reward hard work; one that is certainly alive and well in the private sector. I see no reason why this tradition should not apply to employment in state government. By adopting a merit pay plan for state employees, we will give ourselves the opportunity to recognize the achievements of our most outstanding state employees, and we will provide all state employees with an incentive to provide even better service to the taxpayers.

All of us like to be recognized for our efforts; it is time that state employees had the chance to earn that recognition.

The question of how we compensate our state employees raises a larger question that has been before you for some time now: the question of civil service reform.

In fact, New Jersey's civil service laws have not been substantially reformed since 1908. Successive Governors of both parties have all identified and emphasized the need for reform. It is time to act.

Failure to do so only encourages bad management practices and inhibits our efforts to make government operate more efficiently. In the last session, we proposed legislation which would vastly improve our civil service system. I strongly urge you to adopt this legislation this year.

The reforms we have proposed would protect state employees from arbitrary political actions by their superiors. The reform package calls for the creation of a bi-partisan Merit System Board to establish regulations for promotions and to review disciplinary actions. It proposes the creation of a Senior Executive Service that would allow for the promotion of individuals on the basis of job performance and potential as managers – thus allowing us to develop our most promising employees more quickly. And it would simplify the Byzantine system of over 6,500 job classification categories to create a more understandable and straightforward system.

Civil service reform is not a partisan issue; it is an absolutely critical step in improving the management and the fairness of state government. Its enactment should be one of your highest priorities this year.

The management issue which most concerns our citizens is how the government raises its revenues and spends the money it collects. Although we can point to major achievements in the past year in holding down the cost of government, many citizens continue to feel that government places too great a financial burden on them.

In addition, long range costs built into future budgets will soon outstrip our ability to pay for them. The structure of our tax system has also come into question because of the continuing volatility and substantial rates of the property taxes imposed by local governments.

I have called upon you in the past to develop a proposal for the creation of a bi-partisan commission to examine the taxing and spending policies of government in New Jersey. I renew that call now.

No issue is more fundamental to our mission as public servants. No issue is of greater interest to our constituents. No issue is more basic to the effective management of state government.

TRANSPORTATION

Nineteen eighty-three was a year of progress for transportation in New Jersey.

It was a banner year in road construction, in making improvements in public transit and aviation, and in addressing the tremendous backlog of transportation infrastructure needs created by years of delayed decisions and shortsighted administration.

In the current fiscal year, we are undertaking the largest highway construction and repair program in our state's history. The combined total of \$451 million we are spending to improve New Jersey's major roads represents a 50 percent increase over the \$303 million spent last year and a 100 percent increase over the \$226 million highway program for fiscal year 1982.

After far too many years of delay, a number of critical highway projects are now under construction or will be very shortly. Most of these projects are essential not only to the achievement of a sound highway system, but to the continued economic development of key areas in north, south, and central New Jersey. The list of projects now under way includes I-78, I-287, Route 55, the dualization of Route 9, the Trenton Complex (I-195, I-295), improvements to Route 17, the Route 3 bridge, the Rancocas Creek Bridge on Route 130, Route 169/185, and dozens of other projects that are long overdue.

One of the keys to our success has been a more sound and a more aggressive approach to securing available Federal transportation funds.

In the past, Federal highway dollars went unclaimed because the state failed to put up the funds necessary to match them. The result was the continued accumulation of unfinished highway projects, repeated delays in needed construction, a frustrated driving public, and a long litany of missed economic development opportunities. In recent years New Jersey ranked last among the 50 states in obligating the Federal funds that were available to it.

My Administration entered office determined to improve that unfortunate ranking and to build the roads that New Jersey's citizens have wanted — and needed — for years.

In the past year, we have matched available Federal dollars at every opportunity. For the Federal fiscal year which ended last September 30th, New Jersey obligated 100 percent of the \$339 million in Federal highway funds available to it from various sources. Not only did we set a new record, exceeding by \$146 million the old record set in the previous fiscal year; we also improved New Jersey's ranking among the states in the overall obligation of available Federal highway funds by 15 notches — from 43rd to 28th. Moreover, New Jersey's ranking improved from 46th to 9th in the use of funds for interstate construction.

This year, we demonstrated that the years of standing in line behind other states for Federal highway funds are over, and that the time has passed when roads remain unbuilt while Federal funds allocated to our state wait unclaimed.

Our accomplishments in public transit in 1983 were equally impressive.



New Jersey Transit contracted for 700 long-haul and 165 advanced design buses in 1983, all of which were delivered by the end of the year.

The result is that the average age of our bus fleet in New Jersey has been cut from 13 years to 6 years.

NJ Transit also advanced to the final engineering stage for the construction of a major new bus garage on Route 9 in Howell Township, constructed four additional park and ride facilities and began work on five others, and undertook design and engineering work on the Hackensack Bus Transfer facility, the Broadway Bus Terminal in Paterson, and the Camden Transportation Center.

This past year also witnessed the completion of a program to bring 17 new locomotives and 117 new coaches into the New Jersey Transit rail system. This new rolling stock allowed NJ Transit to deploy an entirely new fleet of equipment on the Raritan Valley Line, to use new equipment for one-third of the trains on the North Jersey Coast Line, and to provide comfortable, modern service to some

riders on the Erie-Lackawanna line while work proceeds on that line's re-electrification.

In addition, work progressed not only on the re-electrification of the Erie-Lackawanna service to Morris and Essex Counties — which should be finished this summer — but also on the extension of re-electrification on the North Jersey Coast Line to Long Branch, which I approved after electrification of that line to Matawan was completed in 1982.

Last month, the Administration announced an agreement that will pave the way for intercity rail service by Amtrak between Philadelphia and Atlantic City. Resorts International has agreed to provide the local funds necessary to match \$30 million appropriated by Congress for this service. Once the agreement has been approved by all of the necessary parties, the establishment of this rail link will undoubtedly contribute to the continued success of the tourism and casino industry in Atlantic City.

But more importantly, it will allow us to provide commuter service between the high growth area of Atlantic City and the high unemployment areas in the western part of South Jersey, including Camden.

I insisted that the re-establishment of this commuter service be part of any agreement to complete the Philadelphia-Atlantic City rail line, because it will give South Jersey workers needed access to the jobs at the end of the line.

As now conceived, this new rail line can provide a major economic boost to South Jersey.

Last year I also signed the New Jersey Airport Safety Act of 1983,



sponsored by Senator Russo and Assemblyman Markert, which will change the focus of the state's Division of Aeronautics. In the past, it has concentrated on regulatory and monitoring duties, many of which were duplicated at the Federal level. Now, the Division will work to ensure the safety of our airport facilities and will take a more active lead in promoting general aviation as a major factor in New Jersey's continuing economic development.

New Jersey's significant transportation achievements in 1983 were all the more remarkable in light of the fact that they occurred despite the continued absence of a dedicated source of stable funding for transportation in the state.

In the years ahead, we will no longer have the luxury of pursuing such an ambitious transportation program without a stable source of funding.

The highway portion of the funds from the 1979 Transportation Bond Issue is now exhausted; as of July of this year these funds can no longer be used to match Federal grants. The fact is, however, that substantial amounts of Federal aid for highways will continue to be available to New Jersey, if we have the state funds to match them, through the Federal Surface Transportation Assistance Act which Congress passed in 1982. In fact, more Federal transportation money will be available to New Jersey in the coming fiscal year than ever before.

In recent years, we have had the luxury of matching those dollars with the 1979 Bond dollars. Those Bond funds attracted more than \$300 million in Federal funds. Now that they have dried up, it is imperative that we cooperate in creating a stable source of funding to continue to maximize our use of available Federal dollars.

If we delay in the development of a stable funding source, it will be a very costly delay. The cost of building roadways in this state has increased four fold since 1968. And a recent study by our Governor's Management Improvement Plan found that once deterioration of a highway occurs — generally after about seven years of use — the price of repairing it can increase six-fold. And the cost of completely reconstructing a deteriorated highway is more than nine times greater than that of ordinary rehabilitation.

In short, we cannot return to the policy that this state had for too many years before this Administration took office: to put off until tomorrow what should have been done yesterday.

The Administration has recently reached agreement on one source of funding.

Last fall, the Atlantic City Expressway Authority agreed to my proposal to provide the Department of Transportation with \$2.5 million annually for use in transportation projects throughout South Jersey.

In order for these funds to become available for needed projects, you must approve legislation which would change the statutory authorization of the Authority to allow surplus toll receipts to be used for purposes other than operations debt retirement. The Authority is now 16 years ahead of its bond repayment schedule.

Senator Rand is planning to introduce such legislation and clear the way for the completion of vital South Jersey transportation projects. I urge you to support it.

We have been negotiating with the New Jersey Turnpike Authority and the New Jersey Highway Authority in an effort to reach similar agreements concerning surplus revenues from the operation of the Turnpike and the Parkway. I expect to be submitting legislation to you later this year which would pave the way for the use of such revenues to fund vitally needed transportation projects around the state.

I have long felt that the plans of these toll road authorities should be coordinated with the overall planning of our state highway system.

In fact, I made a point of calling for such coordination in my campaign for Governor.

I recognize that the maintenance of the toll roads themselves must not be put at risk. They are our state's showcase highways. But I do feel that the authorities' surpluses should be used to meet the state's pressing capital needs in the transportation area.

The agreements we hope to reach with all three authorities will provide us with a much needed source of funding for critical projects which might otherwise be neglected.

New Jersey's voters provided one other source of transportation matching funds when they approved the \$135 million bridge repair bond issue sponsored by Senator Weiss and Senator Foran last fall.

These funds will help us go a long way toward reducing the backlog of almost one billion dollars in needed bridge repairs in the state.

I recently unveiled a plan which would allow us to conduct a \$377 million bridge rehabilitation program with those bond funds. I proposed that we use the bond monies to match \$233.7 million in Federal funds available for bridge rehabilitation. I urge your support of the necessary appropriations in order to allow us to begin to attack the problem of deteriorating bridges as soon as possible.

One project which would be made possible by your approval of these funds would be the rehabilitation of the Pulaski Skyway connecting Newark and Jersey City. Last month, I received a commitment from U.S. Transportation Secretary Elizabeth Dole for \$15.2 million in Federal funds for this project. The total project cost is expected to be \$19 million.

The investments we make in our transportation system today will be paid back in many ways. Every \$100 million spent on transportation construction generates over 6,000 jobs. When this is combined with the travelling convenience, safety, and economic development made possible by a more complete highway system, the benefits to New Jersey of a continued investment in transportation are quite substantial.

In 1983, we generated thousands of jobs and contributed to an improvement in the quality of life in our state by pursuing an aggressive transportation improvement program. With your help, we can make even more progress in the years to come.



PUBLIC SAFETY AND CRIMINAL JUSTICE:

The 1980's have been a time of testing for criminal justice systems across the country.

Public demand for increased measures to fight crime and for stiffer penalties for convicted criminals has remained high and in most cases increased. These are certainly top priorities of New Jersey citizens.

At the same time, cities and states faced with severe fiscal constraints have found it difficult to provide the facilities that are necessary to house the growing inmate population that results from better law enforcement and tougher criminal codes.

The newspapers and airwaves have been filled with reports in recent months of overcrowded prison conditions, court actions that spring from such conditions, and the consequences of drastic measures that must be taken to relieve them.

In New York City, for example, violent criminals have been turned into the street, only to commit crimes again.

New Jersey is certainly not exempt from the national trend. An increased inmate population has strained the resources of our corrections system to its limits. But through careful planning and rapid implementation of the Action Plan for prison overcrowding which I announced in 1982, we have been able to avoid the type of spectacle created in other states.

The state's inmate population has increased by over 1,700 inmates since I took office in January of 1982. But at the same time we have cut the county jail backup of state-sentenced inmates by about 700.

We have been able to do so because we have increased the total number of bedspaces in the New Jersey corrections system by well over 2,000 in the last two years. The plan which I proposed calls for the total of new bedspaces to be added by the end of 1986 to be 5,200.



This past July, I attended the opening of a new prefabricated prison, Southern State I, in Leesburg just six months after construction of the prison had begun. We have been told that building a 448-bed medium security prison in 6½ months was the fastest such project in the country. Already, prison officials from five other states have sought information from our Department of Corrections, and at least two plan to build similar prisons.

Next month, we will open a second, 560-bed facility, Southern State II, just six months after construction on it began.

After nearly a decade of state efforts to site a prison, last year I announced plans for the construction of a new, 1000-bed medium security prison in Newark. Construction of this prison will not only afford the significant number of state inmates from northern New Jersey the opportunity to be housed in a facility closer to their families, it will provide needed jobs for Newark residents, who will receive preference in hiring for the construction of the prison, staffing of the facility, and providing support services to the prison once it is opened. Construction on the Newark prison will begin this year.

Construction is already under way on a 419-bed medium security prison in Camden, which will be completed in 1985.

Fourteen counties have also taken advantage of funds for county jail renovation and construction provided by the prison construction bond issue I sought which was approved by the voters in November 1982. Over 1,400 new beds are being added to the county system through these funds.

Nineteen eighty-three was the first year of operation of the Governor's Intensive Supervision Probation Program, which I asked you to support in last year's annual message. As you know, this program provides for alternatives to incarceration for certain individuals who are convicted of non-violent crimes which carry no mandatory minimum sentence. Those inmates selected to participate undergo an intensive probation period of one to five years, during which they must have daily contact with a police officer, maintain a job, make payments to the Violent Crimes Compensation Board, and meet whatever other conditions are set by the sentencing judge. The key is that this program costs the state less than \$5,000 per participant, while we spend \$15,000 annually per inmate for incarceration. To date, 54 individuals have been released to their communities under the Intensive Supervision Probation Program. We hope that eventually up to 500 offenders will be allowed to participate, further alleviating the overcrowded conditions of our institutions.



Crime was down in New Jersey last year for the second year in a row. Law enforcement officials have attributed at least part of this drop to the tougher crime laws which we have been successful in adopting since this Administration took office.

One element of that more stringent code was the package of bills that you passed and I signed to deal more sternly with juvenile criminals. As you know, effective the first of this year, the Juvenile Domestic Relations Court and the County District Court were abolished, and a Family Court in the Superior Court was established. Trying juvenile cases in Superior Court will mean that the sentencing of juveniles convicted of crimes is more likely to match the severity of the offense.

In each of the last two years, I have signed legislation designed to protect the rights of and broaden compensation for the victims of crime. This past year, one of the most important of those bills was the law authored by Senator Graves which is designed to deter crimes against the elderly and disabled, who, because of their vulnerability, are often singled out as victims of crime. This new law will require the sentencing court to consider both the extent of injuries to the victim and the degree of his or her vulnerability when sentencing the accused. I commend Senator Graves for his leadership in shepherding this law through the Legislature to protect our senior and handicapped citizens from the ravages of crime.

We acted responsibly in 1983 in enacting legislation to provide means of implementing capital punishment in New Jersey. All of us hesitated before voting to authorize the use of the death penalty. The action we took means that the deterrent it provides is now in place.

The new, tougher approach to sentencing, and to parole is apparently having some effect: New Jersey now has the lowest percentage in the nation of convicted felons who commit new crimes while on parole.

Despite the progress we have made in bringing down New Jersey's crime rate and in adopting a tougher approach to crime, there were a number of bills which remained before you at the end of the last session which would further improve our approach to this serious problem.

In my campaign for Governor, I called for legislation to encourage consecutive sentencing of criminals who are convicted of committing more than one crime, and which would remove all presumptions in favor of concurrent sentencing. Last session, we nearly agreed on legislation to do these things; I would urge you to adopt such legislation early this session.

I also endorsed legislation in the last session to provide for the denial of bail in cases where the defendant represents a clear danger to others — to provide "preventive detention." This bill too made progress in the last session, but was not passed. I urge you to pass it now.

Any comprehensive approach to the problem of crime must address one of the most frequently committed and one of the most dangerous crimes: drunk driving.

Every year, over 50,000 people die on our nation's highways as a result of automobile accidents. Over half of those accidents are alcohol-related.



You followed up on our increase of the drinking age in 1982 by passing two more laws to fight drunk driving last year: one which prohibits open containers of alcoholic beverages in automobiles (the so-called "drinking and driving" bill), and one which allows an alcohol content level of .10 to be accepted as proof of "per se" drunkenness.

I commend you for passing these bills, which I signed into law, but I would ask you to go further and to pass the other elements of the drunk driving package I have submitted to you.

Increased enforcement is the key to stopping drunk driving, according to law enforcement officials. One bill pending before you as I write would set up a Drunk Driving Enforcement Fund, to be financed with penalties levied against convicted drunk drivers. The Fund would be used to provide monies to local governments to set up increased patrols to stop drunk driving.

A second bill would allow the use of blood and urine samples as evidence in convicting drunk drivers. New Jersey already has an 85 percent

conviction rate in drunk driving cases, but I believe we can improve on that record, and this legislation will help.

Still another piece of legislation would increase the penalties for those convicted of drunk driving. The toll taken by drunk drivers in this state and in the country is a tragedy. We must make sure that offenders understand the seriousness of their crime. Ensuring that the severity of the sentence they receive matches that seriousness will help spread this understanding. The message must go forth: drunk driving will not be tolerated in the State of New Jersey.

Last year, I also asked you to support a budget increase for the Safe and Clean Streets program, which helps put uniformed police patrols on our city streets. You provided that support. In addition, I signed a bill sponsored by Assemblyman Girgenti and Senator Graves which allows Safe and Clean Streets funds to be used to fund the hiring of additional firefighters. This law should help cities reduce the number of layoffs of firefighters even in time of fiscal crises.

We have for some time felt the need to undertake a greater degree of long-term planning to meet the needs of the state's criminal justice system, both in terms of manpower and information systems.

I believe that the Criminal Disposition Commission could help perform this planning function. The Criminal Disposition Commission could help the Governor and the Legislature identify critical issues facing the criminal justice system in a coordinated but broad-based fashion. It could perform the type of detailed data analysis that leads to better decision-making, and it could help develop internal planning mechanisms within the system.

At present, however, the Criminal Disposition Commission lacks the budget and the administrative staff necessary to execute such a mandate. If we provide it with direction and strength, the C. D. C. can help improve the functioning of our criminal justice system. I believe we should ask it to play this new, strengthened role.

HEALTH AND HUMAN RESOURCES

The measure of any decent society is the extent to which it cares for its less fortunate members.

Our accomplishments may be great in creating jobs for our people, in cleaning up the environment and fighting crime, in building roads and highways. But our fulfillment of our role as public servants will be incomplete unless we address the major social problems which fall within the domain of government: the problems of older citizens, of child neglect and abuse, of domestic violence, of mental health and mental retardation, of homelessness and hunger and poverty, and of the need for affordable health care.

In the past, we have found the cost of properly addressing these existing problems to be prohibitively expensive. The cost of hospital, nursing home and other types of institutionalized care has grown faster than our ability to absorb these costs. This experience has led us to seek other approaches to these problems which are humane and yet cost effective.

These approaches center around the concepts of prevention and deinstitutionalization, and community care; around paying greater attention to the root causes of these problems; and around greater involvement by all elements of the community in stopping those root causes from taking hold.

In the coming year, I would like to refocus the state's human resource programs around these new approaches.

The small investment we make today to provide home health care to an elderly, disabled, or mentally retarded person will obviate the need for a much larger public expenditure to finance the cost of institutionalization.

The dollars we spend today to prevent family violence, mental retardation, and other problems are dollars that will be returned many times in funds that do not have to be spent to cope with the tragic consequences of these problems.

Senior citizens are the fastest growing segment of our state's population. The median age of New Jersey's population is the second highest in the nation. Only Florida's ranks higher.

We are fortunate that growth in the revenues provided to the state by casino gambling has allowed us to increase the funding for vital senior citizen programs in the last two years. Lifeline utility assistance has been increased from \$150 when I came into office to \$200 today. The budget for Pharmaceutical Assistance to the Aged and Disabled (PAAD) has increased by 53 percent in the last two years. Eighty percent of the senior citizens in the state are now eligible for the PAAD program. And the property tax deduction for senior citizens was increased from \$225 to \$250 for the current fiscal year.

But in the past year, the most important program we launched on behalf of senior citizens was a new program designed to encourage home health care. This program allows



seniors, while being cared for at home, to continue to receive Medicaid benefits, for which they would otherwise be eligible only if institutionalized.

This Community Care Waiver program is designed to allow senior citizens (and handicapped and mentally retarded citizens) relief from the institutional bias of Medicaid, and to allow them to retain the dignity and personal closeness with family and friends that often comes with remaining in the home.

We also began training 1,200 AFDC recipients this past year to be home health aides under the innovative AFDC/Homemaker program. This model program not only helps provide home care for the elderly, it helps to remove the participants from

the public assistance rolls. Success stories among participants in the program, many of whom had never been employed before, abound: one woman did so well during training that she was hired full time by the Home Health Agency which was contracted to do the training, another was hired as a nursing aide in an outpatient department of a community health organization, and still another was hired and trained as an EKG technician in a community health organization.

A Nursing Home Task Force was created in 1983 by the Commissioners of the Departments of Human Services and the Public Advocate to address some of the questions surrounding long-term institutionalized care in New Jersey, including how to increase the nursing home bed supply and whether there are suitable alternatives in some cases to nursing home care.

The Task Force did find that residential health care facilities, boarding homes, congregate living arrangements, and other similar living settings can often better serve a population which is now being directed almost exclusively to nursing homes.

For those senior citizens who require long-term institutionalized care, however, the Task Force also recommended that we put a stop to the practice of requiring Medicaid-eligible people to sign private pay contracts as a condition of admission to a nursing home. Accordingly, I would like to ask for your support for legislation which would make it a crime for a nursing home operator to require a Medicaid-eligible patient or his or her family to sign a private pay contract as a condition of admission.

This predatory practice victimizes our older citizens and their families and it is widespread throughout the state. It is not uncommon for the families of senior citizens who want to enter a nursing home and who are eligible for Medicaid to be confronted with a demand that they sign a contract with much higher private patient rates. In some cases, the terms of the contract require the payment of \$2,000 per month for two years, regardless of the length of the actual stay. But they are exacted as a cost of gaining admission to the nursing home. This practice presents families with a cruel choice between providing care for a loved one and extraordinary financial sacrifice. It should be stopped now.

In the coming year, our Department of Energy is prepared to kick off a program to help senior citizens by weatherizing 80 percent of all housing units occupied by senior citizens in New Jersey with household incomes of less than \$15,000. The program will be funded from a variety of sources, including regulated utilities, the state Lifeline program, funds which must be returned to consumers by oil companies as a result of past overcharges, and voluntary contributions from private industry.

The recommendation for this weatherization program came out of the Cabinet Committee on Aging, a group consisting of the Commissioners of the Departments of Community Affairs, Energy, Health, Human Services, and the Public Advocate and the Cabinet Secretary in the Governor's Office, which convened this year in order to better address the needs of senior citizens in New Jersey.

This Committee can help us coordinate the efforts of various Departments to assist older New Jerseyans, and I will ask it to continue meeting on a regular basis. In order to ensure that our programs are carried out in a coordinated, targeted way, I will also appoint this year a Special Representative for the Aging in the Governor's Office to report to me directly on our progress in serving this important segment of New Jersey's population, and to work with the cabinet committee in carrying out its recommendations.

While more people are beginning to develop an understanding of the needs of our senior citizens, there are other social problems that have not benefitted from such widespread understanding or knowledge. The problem of family violence is such a problem.

National statistics indicate that six percent of all married couples engage in at least one act of violence each year. In New Jersey, this translates into 100,000 couples. Moreover, as many as one million children are abused or neglected in this country. In New Jersey, there were 21,000 abuse and neglect cases reported to our Division of Youth and Family Services last year. And in both the case of spouse abuse and neglect, most victims never report the problem — they remain silent.

During the current fiscal year, our Department of Human Services has launched a major \$2.7 million program to prevent family violence through greater involvement in the

community. Two million dollars will be targeted to providing day treatment, homemaker services, transportation, counseling, and emergency shelter to families through the district offices of the Division of Youth and Family Services. The other \$700,000 will be used to expand and improve services at the 13 domestic violence shelters around the state, and to add an additional shelter which will be opened this year.

In November, I also announced the creation of a 19-member Task Force on Child Abuse to help us determine how to prevent all forms of child abuse, including child sexual abuse. A recent study of sexual offenders at one diagnostic center showed that 70-80 percent of those surveyed had been sexually abused children. We must break this cycle whereby children who are abused turn into abusers themselves.

To do so will require the cooperation of all involved sectors of the community; not only government but educators, medical personnel, social workers, mental health professionals, police, judges, and prosecutors. We must learn to read the signs of child abuse and know what to do when child abuse is occurring.

We have already established a working group with prosecutors and our Department of Human Services to improve investigations of child abuse and neglect. This year, the Department will implement new foster care reforms to encourage reunions of foster children with parents, and will provide increased child care service to families as a means of preventing abuse and neglect.



In all, our goal will no longer be to build a net at the bottom of the hill to catch children after they fall; instead we will seek to build fences at the top of the hill so children won't fall in the first place.

Prevention is also the key to addressing the problem of mental retardation. In fact, it was recently identified as the top priority by the President's Commission on Mental Retardation. Accordingly, our Division of Mental Retardation has been working closely with private groups such as the New Jersey Association of Retarded Citizens to develop strategies to prevent mental retardation through better nutrition, education, and treatment. To strengthen the prevention effort, I will soon be appointing an Advisory Council on Mental Retardation to develop a statewide prevention plan to reduce the incidence of mental retardation.

Prevention is also the centerpiece of the plan I unveiled in October to address the problems of the homeless in New Jersey. That plan included the creation of a \$3.3 million rental assistance program to provide emergency temporary assistance to families and individuals who faced losing their homes because of an inability to pay rent — thus eliminating the need for taxpayers to pay for expensive temporary hotel housing because these families and individuals could not pay as little as \$200 or \$300 per month in rent. It also provided for the establishment of emergency county shelters for the homeless, and for the conversion of available publicly and privately-owned buildings into temporary shelters for the homeless, and for improving the life safety support systems in existing shelters. These initiatives, recommended by my Task Force on the Homeless, should help New Jersey to minimize the problems encountered by its neighbors in coping with the homeless and providing shelter for them.

Prevention is the major theme which runs through our efforts to control the spiralling increase of health care costs in New Jersey.

Accordingly, our Department of Health will play a leading role in implementing the Right to Know legislation which you passed and I signed into law last year.

The Department will also attempt to deal equitably with questions surrounding new high cost medical technology in the coming year.

I recently appointed an Advisory Committee on Health Care Capital Cost Containment, which will begin its work early this year. I expect that this Committee will lead the way for other states in addressing the role that high capital costs are playing in increasing the cost of health care.

Under my Administration, we have already put forward successful policies to eliminate total debt financing by hospitals for major construction and renovation projects. Trustees and hospital executives have conscientiously and positively responded to these policies. As a result, the total volume of bonds for hospitals declined from \$580 million in 1982 to \$382 million in 1983. Construction projects were smaller in size, and reflected innovative ways to utilize existing space.

New Jersey is now in its third year of the pioneering Diagnosis Related Group (DRG) reimbursement program for hospitals. Last year, Congress mandated that Medicare adopt for the entire nation a DRG system similar to the one developed here in New Jersey. New Jersey's system promotes quality health care, equity among all those who pay for health care, financial integrity for our hospitals, and regulatory flexibility.

But most of all, it has allowed New Jersey to lead the nation in stemming the escalating cost of health and hospital services, which is the leading contributor to inflation today. The program has consistently resulted in hospital rates in New Jersey that are three to four percent below the national rate for hospital costs.

We recently hosted the nation's first conference on DRGs, which was co-hosted by the Federal Government and attended by health care providers and regulators from across the nation. The conference underscored the fact that the rest of the country is looking to New Jersey as a leader and innovator in the drive to control health care costs.

Just recently, Commissioner Goldstein and I successfully negotiated an extension of the Federal "waiver" under which New Jersey operates its DRG system. This will allow us to continue the operation of the system, which has saved millions of dollars in costs, helped keep a number of hospitals solvent, and covered the cost of hospitalization for those who have no insurance.



Another noteworthy achievement of the past year was our successful effort to keep the Mobile Intensive Care Units (MICUs) which provide emergency medical services on the road, and even to expand the service they provide. This year, I will ask for your support of funds to institute a model training program in cooperation with the New Jersey State First Aid Council to train the 20,000 Emergency Medical Technicians, who represent 470 volunteer rescue squads, in basic life support skills.

The prevention that we have emphasized in all of our health and human resource efforts does not eliminate the need for treatment. In fact, prevention is a great complement to treatment.

The state is continuing its commitment to treatment of a variety of illnesses and conditions, including addiction to various substances. I believe that we in state government have an obligation to finance treatment for abuse of substances when we receive taxes from the sale of those same substances.

For example, I just recently signed legislation to allow funds from a tax on alcohol to be used to provide treatment and education on alcoholism.

I have also supported and signed legislation to fund cancer research from cigarette tax monies. Now, I believe that treatment should be provided to those who become addicted to casino gambling using revenues provided by profits made from gambling. As you know, however, the state constitution currently would not allow casino revenues to be used for this purpose.

Accordingly, this year I will propose an amendment to New Jersey's constitution which will allow a portion of monies in the Casino Revenue Fund to be used for the treatment and rehabilitation of compulsive gamblers. Compulsive gamblers can bring ruin to the lives of individuals and families. I urge your support for this proposed constitutional amendment.

Our efforts to develop all of New Jersey's human resources to the fullest have included special programs aimed at the state's veterans. This year, we will also begin construction of phase one of a third Veterans Memorial Home in Bergen County. Phase one will add 114 nursing home beds for veterans. The state will also break ground this spring for the establishment of a New Jersey Veterans Cemetery in Burlington County.

This month, our Division of Veterans Programs and Special Services will be opening four new Veterans Service offices in Atlantic, Ocean, Burlington, and Morris Counties. This comes in addition to the establishment of four new Vietnam Veterans Counseling Centers which were funded last year.



HOUSING AND COMMUNITY DEVELOPMENT

My Administration has continued its effort to ensure that all citizens in this state have adequate housing.

The Department of Community Affairs' neighborhood preservation program has continued to assist municipalities throughout the state in improving housing in urban and older suburban communities. The Department is also using federal small cities community block grant funds to revitalize existing residential neighborhoods.

Our weatherization program has continued during 1983 and approximately 5,000 homes occupied by low-income families have been weatherized by the Department in order to achieve significant reductions in heating costs.

The Department of Community Affairs has also established an Office of Housing Advocacy to provide assistance to municipalities and has prepared a model site development ordinance for use by municipalities in reducing housing costs.

Our Mortgage Finance Agency has made available mortgage financing for eligible residents throughout the state to the extent of almost \$500 million, and approximately 10,000 households have benefitted from the Agency's low-interest mortgage program. I intend to continue to lobby hard in the Congress and with the Administration to preserve the tax exempt bond program that allows New Jersey to offer competitive low-interest loans to persons seeking to buy homes.

I am pleased that the legislation merging the Housing Finance Agency and the Mortgage Finance Agency has passed the Senate and is scheduled for an Assembly vote early in January. This will enable these two agencies to function more efficiently as they combine their resources and staff.

I have also actively supported with our Congressional Delegation the new federal legislation that provides significant federal funds to subsidize new construction and housing rehabilitation. This legislation has now been approved by the Congress and signed by the President.



The Department of the Public Advocate and the Attorney General are engaged in a major legal effort to protect senior citizens and disabled citizens from eviction from rental housing because of condominium conversion. They are involved in at least five specific litigated cases involving the constitutionality or scope of the Senior Citizen and Disabled Protected Tenancy Act.

Another important initiative for the protection of tenants is the legislation sponsored by Senator Caufield which I have signed to establish the Bureau of Fire Safety which put into effect a modern and comprehensive system for fire safety in existing buildings. The Department of Community Affairs is in the process of adopting comprehensive fire safety regulations and will be providing training for fire safety inspection personnel throughout the state.

The decision by our State Supreme Court in the case known as Mt. Laurel II has caused a significant change in the law with respect to the obligation of various municipalities to provide a "fair share" of low and moderate income housing. Because of the novel and far-reaching implications of the Supreme Court's decision in this case, my Administration has been carefully monitoring the efforts of

municipalities, builders, land use planners and other groups and individuals affected by the decision.

Initially, public attention has focused on the State Development Guide Plan which the Supreme Court designated as the primary factor in determining which municipalities in the state are obligated to comply with the low and moderate income standards enunciated in the decision. The Court has also expressed its belief that the Guide Plan should be updated by January 1, 1985, if it is to continue to serve its purpose.

Because the State Development Guide Plan was not prepared to perform the function which the Supreme Court has imposed on it, I had substantial reservations about the wisdom and propriety of the state undertaking an update of a plan designed for one purpose to perform an entirely different function. I am mindful of the efforts by certain municipal officials, planners and attorneys to encourage the legislature to create a planning agency which would include representation from local municipalities and the planning community in order to allow such an agency to undertake a revision of the Guide Plan from a much broader perspective than could be attempted by a division of state government. I would be supportive of such an effort if the Legislature saw fit to establish an agency of this nature with local representation and assign to it the responsibility of review and revision of the State Department Guide Plan.

However, the problems generated by the Supreme Court decision in Mt. Laurel II do not begin or end with a decision to revise the State Development Guide Plan. The vast number of municipalities included within the purview of the Court's decision are now confronted with the prospect of having their zoning ordinances face judicial scrutiny and probable revision in order to assure compliance with the "fair share" standard enunciated by the Court. I believe that the wholesale revision of local zoning ordinances by the judiciary is an undesirable intrusion on the home rule principle that has served our state well for many years.

For that reason, I would urge you to consider means to encourage municipalities to undertake on their own the revision and updating of local master plans and zoning ordinances in order to reflect more accurately existing and prospective demands for housing. In this connection, I would particularly commend to your attention revision of the land use law in order to encourage on an optional basis the enactment of housing elements in municipal master plans and zoning ordinances. You might also consider incentives in the form of presumptions of validity of such ordinances if they were submitted to and approved by county planning boards.

I will be glad to cooperate with you in the design of legislation that would encourage municipalities to assume this responsibility voluntarily rather than leave to the judiciary the task of redesigning zoning ordinances throughout the State of New Jersey.

Another aspect of the Mt. Laurel decision that may require legislative intervention is the fact that the decision appears to apply to each developer in each municipality that falls within the growth area designated by the Guide Plan. Conceptually, it would appear to make much more sense for the Legislature to provide a system of transfer development credits so that a builder skilled in constructing low and moderate income housing could sell excess credits for such housing to builders without this type of construction experience. The price of the credit would constitute part of the subsidy which in many counties will be required to encourage the construction of low and moderate income housing. I am advised that a system of transfer development credits is presently operating in at least one other state and I would encourage you to consider the enactment of legislation which would afford to municipalities, on an optional basis, the right to adopt ordinances allowing for the transfer of low and moderate income housing credits. Such legislation would avoid the mandate that low and moderate income housing be located in each development constructed in every municipality subject to the decision, and would allow greater flexibility among municipalities and developers in determining where such housing could most appropriately be constructed.

In last year's annual message, I called for the protection of consumers in cases where utility service lines have been diverted by landlords for their own illegal use. In response to that call, our Board of Public Utilities has implemented regulations to stop such diversions of service. The regulations require utilities to conduct an investigation of service diversion within two months of receiving a tenant's written complaint and to act accordingly before service can be shut off.

Legislation aimed at amending landlord-tenant law would be more effective in preventing such diversions, however, and Senator Cowan is now developing such legislation. It merits your support.

One of New Jersey's most important communities is its farm community. This past year I signed two bills, the Agriculture Retention and Development Act and the Right to Farm Act, sponsored by Senator Zane and Assemblyman Zimmer, which are aimed at ensuring that New Jersey's prime farmland remains in agricultural use.



I also signed legislation designed to stop the growing problem of farmland vandalism and trespass, which costs New Jersey farmers more than \$1.5 million each year.

I worked with our Department of Agriculture to secure Federal disaster assistance for 12 New Jersey counties which were hard hit by last summer's drought. Farmers in these counties may apply for low-interest loans from the Federal government to recoup their losses.

The Department of Agriculture, working along with the New Jersey Department of Defense, distributed more than 11 million pounds of Federal

surplus commodities valued at more than \$16.5 million to thousands of New Jersey's needy families in 1983. New Jersey's surplus food distribution program has been cited as the most effective in the nation. I am grateful to the many service and volunteer agencies, as well as the countless individual volunteers, who helped make this program a success.

Two thousand members of the National Guard also provided needed assistance to stranded and snowbound people, transported doctors and nurses to essential medical facilities, and delivered essential food to nursing homes during the blizzard which paralyzed much of the state last February.

The arts community has played a valuable role in conveying the richness of New Jersey history and culture to others. Our Department of State has taken the lead role in coordinating the state's various cultural and arts-related activities. In 1983, the Department helped organize a ceremony in Princeton to commemorate the 200th Anniversary of the Signing of the Treaty of Paris. I believe that continued support for the arts in New Jersey is an important part of the effort to improve the understanding of New Jersey's many treasures, and I will ask you to provide such support again this year.

One of my chief goals as Governor has been to encourage the participation by all of New Jersey's minority communities in the political and economic development processes of our state.

To help fulfill that goal, I will shortly be announcing the appointment of an Advisory Committee on Hispanic Affairs which will make recommendations for encouraging the economic development of the Hispanic community, for involving more Hispanics in the political process and for addressing the special needs of Hispanics in New Jersey.

I will ask this Advisory Committee to report to me no later than September of this year.

INSURANCE AND BANKING



For ten years, New Jersey has desperately needed reform of its automobile insurance system, which has produced the highest car insurance rates in the country.

In 1983, after a great deal of hard work and compromise with the leadership of both parties, we made progress in bringing needed cost-saving reforms to the system.

The bills I signed into law last year are expected to save the average motorist \$150 on his or her auto insurance policy premium once they take full effect during the course of this year.

As you know, the auto insurance reform package included several features:

- Beginning last month, motorists were given the option of selecting deductibles of \$500, \$1,000, or \$2,500 on their personal injury protection (PIP) coverage. These options could save the average policy holder anywhere from \$18 to \$48.

- As of the first of the year, motorists have the option of choosing a range of deductibles and co-payments on their collision and comprehensive insurance coverages. Choosing a reasonable deductible gives consumers the opportunity to cut the premiums for these coverages accordingly.
- On July 1st policyholders will have the choice of either a \$200 or a \$1,500 threshold for pain and suffering suits. Selection of the higher threshold can yield a savings of up to \$50 on the average policy premium. Motorists will also have the option as of that date of paying up to 20 percent of any liability suit recovery toward their personal injury protection costs in order to further reduce their PIP premium.

These cost saving reforms, together with the creation of a Fraud Bureau in the Department of Insurance, the licensing of auto body shops, and the arbitration of smaller claims, will go a long way toward addressing the problems that had caused automobile insurance to be so expensive in New Jersey. I appreciate the role played by Assemblyman Michael Adubato in developing them.

There is more we can do, however, to improve the system. Last year, I also called for the adoption of a medical fee schedule to hold down the extent to which medical costs are inflating auto insurance premiums. I would urge you most strongly to enact legislation setting up such a fee schedule during this session.

I have asked you in the past, as has my predecessor, for adoption of a verbal threshold. This would also go a long way toward reducing premiums. I renew the call for its adoption.

In addition, I strongly opposed the imposition of a \$90 surcharge on all auto insurance policies to cover the costs of the Joint Underwriting Association.

New Jersey motorists are already paying a policy constant of \$70 per policy to cover the added costs of insuring the assigned risk pool. The funds generated by the policy constant should be applied to cover the costs of the J.U.A. in order to reduce the need for across-the-board surcharges. We will continue to seek to apply the principle that bad drivers should bear the costs they add to the insurance system, and that good drivers should not be forced to pick up these costs.

Our Department of Banking has helped spur the development of New Jersey as a financial center for the nation, as its charter of the Drexel Trust Company, a nationwide trust servicing company, showed last year.

In addition, the Department is protecting consumers by working to crack down on unlicensed money brokers and debt adjusters who bilk the public.

Nineteen eighty-three witnessed a great improvement in the health of the savings and loan industry in New Jersey. In the first six months of 1982, only 11 out of 127 insured associations had positive earnings. During the same six month period in 1983, 80 of the 114 insured associations reported positive earnings. That bodes well for the future of the industry in New Jersey.

FEDERAL RELATIONS

New Jersey has been very successful in Washington during the course of the past year, both in winning needed Federal monies for vital projects, and in communicating its concerns and its messages to the nation's capital.

Last summer, our state was showcased in the annual Festival of American Folklife sponsored by the Smithsonian Institution. New Jersey's exhibit, which was located on the national mall for two weeks, was visited by over one-half million people. The enthusiasm with which our products and our cultural attractions were



greeted is indicated by the fact that more than 2½ tons of salt water taffy were given away. More importantly, they indicate the extent to which the festival helped to improve New Jersey's image and to attract tourists and jobs to the state. The creation of the exhibit was financed by contributions from civic-minded New Jersey companies and individuals who gave our state a unique opportunity to "put its best foot forward" before the nation.

I have already mentioned the fact that New Jersey set a new record in the obligation of available Federal highway funds last year, that we had received more money from the EPA Superfund than any other state, that we were successful in winning a Federal waiver to allow our innovative DRG hospital cost containment program to continue, and that I recently received a commitment for \$15.2 million in Federal funds to rehabilitate the Pulaski Skyway.

But those were by no means the extent of our policy successes in dealing with the Federal Government during 1983.

New Jersey received a record number of funds under the Federal Urban Development Action Grant (UDAG) program, which has been very successful in spurring economic development and creating jobs, in 1983. New Jersey projects were awarded a total of more than \$96 million during the fiscal year which ended on September 30th. Included in that total was the largest grant in the history of the program: a \$40 million grant to Jersey City for the development of a shopping mall and office complex.

With the help of several members of our Congressional Delegation, we were able to obtain Federal funds for the Liberty State Park Seawall, a \$26 million project in which the state already has a substantial investment.

After I met with U.S. Health and Human Services Secretary Heckler, the Federal government overturned a ruling that the state had violated standards for the renovation of community-based facilities for the mentally retarded during the Byrne Administration. The effect of the Secretary's action was to save the state from having to pay back \$22.8 million in Federal Medicaid funds.

We were also active in working to make sure that the services provided by Mobile Intensive Care Units (MICUs) will continue to be covered by Medicare. Although new regulations will provide for coverage of only 80 percent of patient costs instead of 100 percent, we will continue to press for legislation in 1984 that would restore the 100 percent level of coverage.

An amendment introduced by Senator Bradley to the 1983 Jobs Bill provided an additional \$20 million to New Jersey Transit to be used to refurbish bus maintenance facilities in Newark and Camden.

In September, the President's Property Review Board recommended the transfer to Monmouth County of a 65-acre tract of the Highland Army Air Defense Site. The Reagan Administration had originally planned to sell the tract to the highest bidder, but after intensive lobbying by the state, Monmouth County will receive that tract at no cost and will use the land for a park.

The General Services Administration agreed to sell the Hoboken piers to the City of Hoboken for \$1.5 million. I worked to expedite this sale, which is vital to the development of the Hoboken waterfront, and to hold down the price of the piers so as to ensure Hoboken's ability to pay.

New Jersey obtained an additional \$6 million appropriation in fiscal year 1983 to enable us to complete our \$26 million land acquisition program in the Pinelands.

And finally, the years of effort on the part of many New Jerseyans to bring a VHF commercial television station to New Jersey bore fruit in April, when the Federal Communications Commission (FCC) gave final approval to the transfer of WOR-TV from New York City to Secaucus. The move resulted from the adoption of an amendment sponsored by Senator Bradley in 1982 compelling the FCC to issue a license to a station relocating in New Jersey.

I would like to personally thank the members of our state's Congressional Delegation for their cooperation and help during the past year. They have represented our state's interest well.

I would also like to call upon them to make a special effort in the year ahead to spur their colleagues into action on two issues which are of fundamental importance to the future of our state.

The first is the extension and expansion of the Superfund program, embodied in legislation sponsored by Senators Lautenberg and Bradley. Passage of this bill is essential if we are to translate the progress we have made already in hazardous waste management into concrete results and completed cleanups.

The second issue affects not just New Jersey but the entire nation: the size of the Federal budget deficit. If the deficit is not reduced dramatically and soon, it could rapidly destroy the benefits of the economic recovery of the past year.



Throughout this message, I have also called for the passage of a variety of other pieces of Federal legislation, on subjects from acid rain to urban enterprise zones, to clean air. I would like to add one more bill to that list. Congressman Hughes has authored legislation which would allow New Jersey to register and regulate labor organizations which represent employees of the casino gaming industry. This legislation is essential to ensuring the honesty and integrity of casino gaming operations in the state. If we are to protect the economic development gains that this industry has brought to the state, we must be vigilant in protecting the industry from elements who would take advantage of it for illegal purposes. I commend Congressman Hughes for introducing the bill, and I call upon the Congress to adopt it.

You, as legislators, also have before you an issue which affects the future of our relations with Washington. That, of course, is redistricting.

The action of the U.S. Supreme Court in throwing out the redistricting plan you approved in January of 1982 illustrates the failure of a partisan process to draw a fair redistricting map. The map we are temporarily saddled with now is a flagrant gerrymander; it besmirches the state's reputation.

I believe that the fairest way to draw the Congressional districts, and perhaps the only way to break the stalemate which now exists on redistricting, is to create a bi-partisan Redistricting Commission that would be empowered to come up with a redistricting proposal. Assemblyman Franks has proposed legislation which would establish this type of Commission. I urge you to enact it.

Without such a Commission, we will be subject to the whim of the courts or the designs of our most partisan elements for years to come.

CONCLUSION

New Jersey has a lot to be proud of.

The state has fared well in many ways during the past year, and we are blessed with opportunities to improve our standing even more in the year ahead.

In 1983, we surged ahead in job creation, in educational reform, in holding down government costs, in fighting crime, and cleaning up our environment. And we stand ready to move into the high technology age with confidence in our ability to compete and prosper. Our prospects for the future are bright; our potential for progress limited only by our imagination.

But we cannot simply rest on our laurels — we must move even further ahead. Our progress will depend on our ability to look past our own time in office and to plan for those who follow. In the coming year, bi-partisanship in the truest sense of the word will be required. Although we may be divided by political party, we need not be divided in our vision for the state's future.

Indeed, we must not allow our partisan differences to cloud our mutual interest in a brighter tomorrow for our people.

Achieving that brighter tomorrow will require that, on the big issues, we forget our partisan political differences, set aside special or personal interests and begin to address the formidable challenges that lay before us.

I have presented here some ideas for meeting those challenges. I welcome your review of them. I look forward to your ideas.

New Jersey is ahead of the nation in so many areas. With our combined energies, dedication, and commitment, we can not only keep her there; we can make others look to us and follow our lead.



CABINET



(Seated – left to right): J. Richard Goldstein – Comm. of Health; Barbara Curran – Pres., Board of Public Utilities; Jane Burgio – Secretary of State; Arthur Brown – Secretary of Agriculture

(Standing in front row left to right): Francis Gerard – Chief of Staff, Dept. of Defense; Alie Randlett – Director, Governor's Washington Office; John Renna – Comm. of Community Affairs; George Albanese – Comm. of Human Services; W. Cary Edwards – Chief Counsel; Thomas Kean – Governor; Gregory Stevens – Chief of Staff; Gary Stein – Director of Policy and Planning; Joseph Rodriguez – Public Advocate; John Sheridan – Comm. of Transportation; Alfred Fasola – Director, Office of Management and Budget

(Standing in back row): William Fauver – Comm. of Corrections; Borden Putnam – Comm. of Commerce and Economic Development; Eugene McCaffrey – Comm. of Civil Service; T. Edward Hollander – Chancellor of Higher Education; Roger Bodman – Comm. of Labor; Saul Cooperman – Comm. of Education; Leonard Coleman, – Comm. of Energy; Robert Hughey – Comm. of Environmental Protection.

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