

STATE OF NEW JERSEY

BUDGET



FISCAL YEAR 2009 – 2010

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This award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.

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Governor's Message

**JON S. CORZINE
GOVERNOR OF NEW JERSEY
TRANSMITTED TO THE SECOND ANNUAL SESSION
OF THE TWO HUNDRED AND THIRTEENTH LEGISLATURE
MARCH 10, 2009**

Good afternoon, and thank you all for attending today's budget address.

Reverend clergy, Senate President Codey, Speaker Roberts, Chief Justice Rabner, Judge Glen Grant, Members of the Legislature, Members of the Cabinet, Former governors Byrne and DiFrancesco, Honored guests and fellow New Jerseyans.

Every day, across New Jersey, across America, millions of people are sitting down at their kitchen tables and sorting out their family budgets. On the backs of envelopes ... with pencils and calculators in hand ... surrounded by stacks of bills and receipts ... families are figuring out how to balance their income and expenses ... And they're doing this amid alarming economic circumstances.

You pick up the newspaper and see the national unemployment rate rising above 8%. You see neighbors losing their jobs, their homes and their health care. People worry they might be next.

The economy may not be "in shambles" as Warren Buffet remarked last week, but it is clear that this is no ordinary recession. And the costs of this economic crisis are exacting a serious, human toll. People from all walks of life are tightening their belts.

Around the kitchen table, every family knows what it means to make tough choices in these tough times. But people also understand the importance of making the right choices. They identify their most important priorities, and they change their spending habits to live within their means. That's exactly what those of us in this chamber must do in this budget season.

I come before you today to speak candidly and directly about our state's finances - not just to you, but also to the people of New Jersey. Make no mistake: because of where the world is right now, we must move in directions we might not otherwise choose.

Tough times require that we make the right choices, and that we do the right thing for the common good. By making the right decisions now, New Jersey can and will emerge from this national economic crisis stronger, sooner, and more prosperous.

To that purpose, the budget I am proposing for FY 2010 totals \$29.8 billion - that's \$1 billion less than the first budget I presented in 2006. Stop and think about it, since 1947, every governor before me has grown spending over their four years.

With this proposal, we will have reduced spending two years in a row and will literally spend less than in the first budget I presented in 2006. This isn't a matter of debate or nuance. It's a fact. It is also a measure of the times in which we live. It is a demonstration that here in Trenton, we are dealing with the state's finances exactly as every family in New Jersey is dealing with theirs. We are living within our means.

We are not spending more than we are taking in. We are making the tough choices to do the right thing. And ... just like the choices that a family makes around the kitchen table about its spending, the decisions I have made in laying out this budget reflect a clear ranking of my priorities and a core values.

These priorities and values are the same ones that have guided my administration since I took office. Those values reflect a lifetime of experience and are informed by the voices of our fellow citizens, not just the loudest voices, but those who too often don't have a voice.

Yes, we are cutting the size of government, but because of our values, we have made it a priority to continue: Nurturing our children, honoring seniors, protecting the most vulnerable among us, and I want to make it clear that we must maintain these priorities at the same time that we work to minimize the tax burden on our citizens.

GOVERNOR'S MESSAGE

We've been able to enshrine these values in a leaner budget because, for three years, we governed responsibly. We eliminated the gimmicks and one-shots that past administrations used to paper over the state's debt. We reduced and streamlined state government. We funded state employee pensions and the unemployment trust fund. We were the first state in the nation to respond to the global recession with a comprehensive economic recovery program. Because we chose to do the right things yesterday, we are able to keep doing the right things today.

In FY 2009, declining revenues required cuts of over \$2 billion in state spending, as it turns out, that was just the start. The global recession took a further toll on our revenues, so we have cut almost \$4 billion in baseline spending from this year's budget. But before we cut, we made a value-based judgment to take some things off the table.

There are certain parts of our government's work that we must sustain. In New Jersey, we recognize the importance of our children; they are our bright hope for the future. To that purpose, in this budget, we have increased, rather than cut, classroom funding for K-12 education. And with the federal government's help, we're giving our children a jump-start on a lifetime of learning.

This budget funds Pre-K education for 50,000 kids - an important down payment on our commitment to universal early childhood education. Our increase in classroom funding allows the state to press ahead with a new formula for school aid that is rooted in educational needs and fairness -- not zip codes. Our formula recognizes that half of all "at-risk" children live outside of Abbott districts.

The state's school aid allows communities, rich and poor, urban and suburban, to hire talented educators who fire up our children's minds and imaginations, because here in New Jersey we believe that every child has a right to be inspired and challenged every day in schools that are among the world's best. School aid is just one reflection of the value we have placed on learning.

Today, I want to again congratulate the legislature for passing the \$3.9 billion school construction program that is about to put 15,000 to 20,000 New Jerseyans back to work while modernizing schools for hundreds of thousands of children. Every generation of children has the right to schools that offer a clean, safe, and stimulating environment for learning.

Just as we value our kids' education, we value their health. That's why we've expanded our Family Care program to include a child mandate and enrolled many thousands more kids and their families - particularly mothers seeking pre- and post-natal care.

Providing health care for our children is a priority in this budget, just as it has been in years past. On this point, I have been clear. When the Bush administration tried to cut 10,000 kids out of New Jersey's Family Care program, we said "no." We even went to court and made it a "federal case." Throwing kids off health care is not the way we do business in New Jersey. Now, with the help of key members of New Jersey's congressional delegation, we can be certain of advancing children's health in partnership with the federal government.

And just as with education and health care, we are spending wisely to improve the lives of children who require placement outside of their homes. Our Division of Children and Families has gone from being among the most poorly-rated in the country, to among the very best. Our budget priorities make it clear kids count!

We are also protecting seniors in this budget because we believe that, as a community, we have a responsibility to honor our parents and grandparents. Not only does this budget preserve the senior property tax freeze, it expands it. We have also preserved all homestead rebates for senior homeowners and renters. We want to make sure that our parents have a choice of staying in the homes where they have raised their families. And we want to make sure that our grandparents can live where they're most comfortable and where long-term care is most affordable. Seniors have a right to live in dignity and comfort ...that's why my administration has found ways to increase assistance for home heating and senior health care.

This budget also reflects the view that when people who have played by the rules fall on hard times. When they get sick, or lose their jobs, or stumble into a run of bad luck government will help them get back on their feet - with a hand up, not a hand out.

This budget provides that helping hand by maintaining emergency funds for food banks, avoiding cuts to charity care, investing in worker re-training, expanding the earned income tax credit, funding our groundbreaking efforts to stave off home foreclosures, through mortgage mediation and loan modification, and by preserving funding for the developmentally disabled and community providers.

We must not – and we will not – balance this budget on the backs of people, who through little or no fault of their own, have been caught in the rip-tide of the economic tsunami.

Let me repeat: Even as we cut the cost of government in unprecedented and historic amounts, we are doing so in the right way -- the way that sustains our abiding commitment to those core values... Again, nurturing our children, honoring our seniors, and protecting the most vulnerable.

These are the basic values I have held for the past decade as I've fought for New Jersey families on the floor of the United States Senate and here in the State House. Throughout those years, I have guided my judgment by doing only what is best for New Jerseyans. Whether the question has been balancing the budget, or sending our soldiers to war, or holding corporations accountable, I may not have always done what was popular in the moment, but you can be damn sure I have always done what I thought was right.

But it's not just me. I take great pride in my administration. Even in the face of this dire financial circumstance, people have stayed true to our core values. From the cabinet members on down, this administration has refused to look for the easy way out.

Even so, I don't need to remind you that the current economic crisis has taken a sharp toll on our revenues, as it has in every state across the nation. The difference is New Jersey is weathering the storm with better outcomes than many. Our unemployment rate is below the national average. And as of January, at least 18 states had higher jobless rates than New Jersey -- often, significantly higher. Our incomes are nearly the highest in the nation, and while our budget gap is among the larger, we are managing that challenge without shuttering government, like California, or missing a payroll, like Kansas, or ignoring the unemployed, like South Carolina.

Now, let's lay out the numbers in basic terms. This fiscal year, which runs through June, the state will take in about \$30 billion – about \$3 billion less than we originally planned. In the coming FY 2010, we're projecting base revenues of only \$28.5 billion. Even with important help from the federal government -- the declining revenue meant we had to make deep cuts in spending to balance the 2010 budget.

With respect to budget cuts, there are two ways to compare the numbers: in absolute terms – as I just outlined – or in terms that reflect baseline growth. In absolute terms, we need to cut \$3 billion to bring this budget into balance. In baseline growth, we need to find a “staggering” \$7 billion in spending and revenue solutions.

As you all can appreciate, baseline growth is a more practical measure of the state's budget gap. Baseline numbers include increases that are mandated by statute, contract, and the courts – contractual wage increases, for instance. A baseline comparison also includes increases in health care and energy costs, supplemental school funding, debt service and court-mandated actions that increase child-welfare expenses.

A family sitting around the kitchen table understands the real pressures in baseline growth. Their health care costs are going up every year, their energy costs soared in 2009, and the cost of nearly everything else – from food, to child care, to college tuition – continues to rise. The state budget is no different. In fact, if we did nothing to curtail growth or adjust our contractual, statutory, and court-mandated obligations, the FY 2010 budget would come in just under \$36 billion. As I noted, that's more than \$7 billion over projected revenues.

Fortunately, President Barack Obama understood the pressure on states to meet these shortfalls while still keeping teachers in the classroom and police on the street. The American Recovery and Reinvestment Act provides New Jersey about \$2 billion in aid to be used for current operations on education and health care. That still leaves a \$5 billion gap in the budget, which we have attacked with \$4 billion in cuts to programs, rebates, pension payments, and state worker salaries, in all, over 850 line items in the budget have been cut. The largest cuts will come from reductions in a scaling back of homestead rebates by \$500 million, and reducing, by another \$500 million, payments to the pension fund.

I am proposing to save \$400 million in personnel costs through a wage freeze and furloughs for employees. This approach calls for shared sacrifice, but I believe it is far better for employees to share in these reductions and continue working than it is for savings to be achieved by the layoff of up to 7,000 workers. It most certainly is better to keep people at work and insured, than in the unemployment lines and on the Medicaid rolls.

GOVERNOR'S MESSAGE

I'm sure state workers understand the household principle, just as we do, that when a family's income drops everybody has to tighten their belts. We all have to share the responsibility of keeping our financial house in order.

Now, let me take a moment to briefly describe some of the options we sought to balance through this budget in hundreds of hours of meetings over the past few months. In these discussions, we would have preferred not to reduce rebates or pension contributions but we chose to preserve our children's health care and education funding. We would have preferred not to cut funding for the arts and humanities but we chose in this financial emergency not to close hospitals or eliminate senior prescription drug assistance.

We didn't want to cut funding for tourism advertising and beach replenishment but we chose to maintain safe neighborhoods, safe highways, and homeland security.

During those discussions, even as we cut spending, and cut, and then "cut some more", we also came to a decision that we had to preserve as much property tax relief as possible, given the severe financial pressure middle-class New Jersey homeowners are experiencing. For instance, this budget has less than a two-percent cut in municipal aid - a small amount in comparison to other line items but one that recognizes that municipalities took a big hit last year. Further, in order to help municipalities balance their budgets and stabilize property taxes, I recommended the much-debated, optional pension deferral. This deferral will provide many communities with enough breathing room to avoid layoffs of police and firefighters.

Following the same reasoning, my budget preserves homestead rebates for over one million moderate and middle-income families earning \$75,000 or less. Protecting rebates as much as possible is consistent with one of the most basic priorities of my administration, providing direct property tax relief on a progressive basis.

With this budget, my administration will have provided more direct property tax relief in four years than any other governor in New Jersey's history - nearly \$7 billion put directly into the pockets of homeowners. This substantial commitment recognizes the heavy burden property taxes place on New Jersey families. It also recognizes the power and traditions of home rule.

Obviously, no governor can single-handedly fix New Jersey's local property tax problem. Our state's 566 towns and 616 school districts need to rationalize their cost structures and hold spending under the cap. They need to share and consolidate services. Until these actions broadly take hold, the underlying problem will remain.

Simply put, New Jersey has too many layers of government. To the credit of many, the process of restructuring is gaining momentum across the state, and we will continue to promote consolidation and shared services wherever and whenever they make sense. There are incentive dollars in this budget that do just that.

In the meantime, however, rebates remain the primary tool by which the state can ease the property tax burden on individual citizens. That is why we should restore the rebates for higher income families as soon as the recovery of state revenues allows.

Make no mistake -- a \$1,000 rebate check is more than meaningful for families who are working out their finances around the kitchen table. We know that's absolutely true for fixed-income seniors, many of whom could receive as much as \$2,500 -- combining both their senior freeze and homestead rebates. And, as family members lose jobs or see their hourly wages fall, the number of taxpayers making less than \$75,000 grows. For those citizens, rebates count. To help pay for the rebates, we have proposed eliminating the property tax deduction next year on state income taxes for everyone but seniors.

Now, as I commented, New Jersey faces difficult challenges, but from a better position than many states. One of the reasons is that, together, we've taken serious steps toward fiscal responsibility. As we all understand, for 15 or 20 years, New Jersey budgetary decisions had often gone in another direction - reflecting expediency rather than responsibility. For many of those years, our government chose to meet its constitutional obligation to balance the budget by using one-shots and gimmicks.

Whether it was raiding the unemployment trust fund, borrowing to fill unfunded pension liabilities or securitizing tobacco settlements for current spending. These gimmicks and others undermined the state's long-term financial strength and stability.

At the time, they were easy fixes. They didn't require tough choices about what the state could and could not afford. They were actions that didn't require telling the public the truth. Even worse, they saddled future generations with the cost of that irresponsibility. With your help, I stopped it.

You can't correct 15 or 20 years of bad decisions in 38 months, but the steps we've taken have put our state's finances on more solid ground. Over the past three years, we've contributed more money to the public pension system than did our predecessors in the preceding 15 years, combined.

Regrettably, in the current crisis we need to temporarily reduce pension funding so that we can sustain our first priorities – our children, seniors, and the most vulnerable. In better times, such an action would be unacceptable. But this is a time of unprecedented economic stress. It is the right choice to make.

Similarly, over the 14 years before I took office, repeated raids of the unemployment trust fund – totaling nearly \$5 billion – were used to balance the state's operating budgets. My administration stopped the raids and in fact bolstered the fund by over \$400 million, which avoided sharply higher payroll taxes – over \$650 million to be exact – that would have fallen hardest on small businesses.

The unemployment trust fund is now under even more stress, and it would take as much as \$500 million dollars in additional spending to avoid a dramatic payroll tax increase. We cannot make that kind of payment while still maintaining our priorities and preserving property tax relief. But we will make a significant payment that will soften the impact on employers. And we will also seek legislation to require a tax decrease when the fund recovers in a growing economy.

In this budget, we continue in our effort to make state government do more with less, and to hold ourselves accountable to the taxpayers. My administration has reduced the payrolls of the state and its authorities' by almost 7,000 employees. We have eliminated departments. We negotiated with public employees and asked them to contribute toward the cost of their health care. We extended the retirement age to 62 and capped the pensions of new state workers. We recognized that sustainable employee benefit programs require serious restructuring to avoid future breakdowns.

The measures we have taken will save the state and local governments \$6.4 billion over 15 years. Those dollars count in a year like this. This kind of restructuring needs to be adopted across all levels of government in New Jersey.

We have scrubbed departments for inefficiencies – line by line – and implemented consolidations. We've sold cars, cut up state credit cards, and moved out of half-filled, leased warehouse space. By measures big and small, we have reshaped and resized state government.

We have also confronted and put an end to the entrenched ways of doing business in the State House. We ended Christmas tree spending. We approved a constitutional amendment to give voters a voice on state borrowing. And by executive order, I required that recurring expenditures be matched with recurring revenues. Other governors have talked about doing these things. I did them.

This budget continues a 4-year pattern of making the right choices – choices that may not be politically popular today, but which put our state on a stronger footing for tomorrow.

In a time of crisis, we must all share in the responsibility for balancing our finances and that's why I'm asking those who are the most fortunate among us – the one percent of New Jerseyans with incomes of a half-million dollars or more – to carry a little more of the burden. To this end, I am proposing a one-year, only, rate increase of 3/4 of a percent for those earning more than \$500,000. This new revenue, along with small increases in alcohol and cigarette taxes, will allow us to finish closing that \$7 billion gap.

As I've said repeatedly, the unprecedented circumstances of our national economic crisis requires choices we might not otherwise make. Our responsibility requires us to have the courage to meet these challenges, deliberately, honestly, with compassion and good judgment. And that is precisely what we have done in crafting this budget.

We faced down a \$7 billion shortfall with roughly \$4 billion in spending cuts, \$2 billion in federal aid, and \$1 billion in new revenue. That left us with \$29.8 billion in which to prioritize our children, our seniors, and those who play by the rules but find themselves in dire straits.

I'm asking you all to review the proposed budget. Offer alternatives where you find them – as long as those alternatives honestly meet the challenges of full funding, meet legal requirements, and fit within the broad priorities laid out.

GOVERNOR'S MESSAGE

I welcome ideas from everyone. I only ask that the ideas be real, be specific, and be fiscally responsible. The last thing that New Jersey needs in today's environment is political posturing. Posturing won't save one job, it won't help one family with property taxes, and it won't improve a single school or save a single business.

As I close, let me be clear, this budget is one part – only one part – of our responsibility to meet head-on the challenges of the global economic crisis. It is not our first step – and it won't be our last.

Last fall, when the banking and credit sectors collapsed, my administration was ahead of the curve in dealing with the global economic crisis. We were the first state in the nation to pass a comprehensive economic recovery plan. I thank the legislature for your forceful and timely response in passing the nine pieces of legislation that made up that recovery package.

Our mortgage mediation and modification program is stabilizing our state's housing sector, and now, other states – and the federal government – are making similar efforts.

With our Invest New Jersey initiative, we offered a \$3,000 grant for every new job created and sustained for at least a year, along with a sales tax exemption for the purchase of new business equipment. In the ten weeks since that grant program has been in place, we've received over 800 applications representing 20,000 jobs and hundreds of millions of dollars in investment. Each of those 20,000 people represents a New Jerseyan who has the opportunity to wake up every day, knowing that he or she has a job.

We also reformed New Jersey's corporate tax code to make our state more business friendly. We enabled businesses to carry forward tax loss benefits for up to 20 years. We eliminated the Throw-Out and Regular Place of Business Rules that penalized companies headquartered in New Jersey. We enacted permit extension provisions. We created a clean energy fund and put in place incentives for public investments in energy efficiency.

All of these measures have cushioned us against the blow of this global recession. These actions may even produce growing revenues for future state budgets.

Now, I've taken some heat from our neighbors -- particularly up north. Some have accused me of trying to steal their companies. I get accused of a lot of things, but this is one offense I'm willing to cop to. Let's be clear – our economic recovery plan sends a clear and unequivocal message to employers: New Jersey is a great place to do business.

When we move legislation to expand the urban hub tax credits, when we pass the revenue allocation district act, when we move forward on allowing license site professionals to certify Brownfield cleanups, we'll lay an extraordinary foundation for New Jersey's strong economic recovery.

When the global and national economy rebounds, New Jersey will be in a stronger position than its neighbors and competitors. We will prosper tomorrow because of the decisions we make today.

Now, I'd like to close by citing President Obama, who reminded us two weeks ago in his address to Congress that we are in the eye of an economic storm, the likes of which we haven't seen since the breadline days of the 1930's. That said -- with a strong national recovery program, and with a true partner for New Jersey in the White House, we will come through this storm.

While today's crisis is challenging and often painful, we will pull together as a community and a nation and build for a more prosperous tomorrow. History is clear – the economy will turn. With the talent, the work ethic, and the strong character of our people, New Jersey will lead the way. I believe in our common desire to do what is right.

I hope and expect to see that spirit reflected in the final budget, a budget that values children, seniors, and the most vulnerable, and asks a little more from the rest of us.

Thank you.

May God bless each of you, and God bless New Jersey.



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[Reader's Guide](#)