

Remarks of Governor Thomas H. Kean  
Fiscal Year 1986 Budget Message  
Assembly Chambers  
Trenton, New Jersey  
Monday, January 28, 1985

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Mr. President, Mr. Speaker, Members of the Legislature:

One hundred and sixty years ago, an American president stood before the assembled leaders of this nation, counted the blessings which had been bestowed upon it and the fruits which had been borne from the wise actions of the past, and called upon those leaders assembled to "Transmit...(that)...precious inheritance...unimpaired to the succeeding generation."

That was John Quincy Adams, in 1825, the first president of a new generation which saw clearly the benefits which flowed from the wisdom of the forefathers.

Today, we have many blessings to count. We are beginning to see clearly the benefits of the wise investments we have made in these past three years. And today, I call upon you, the assembled leaders of New Jersey, to join me in passing on a precious inheritance to the generations which will follow us.

Today, I am pleased to present a budget to you which is balanced and which requires no new taxes.

In fact, this budget provides for a sweeping program of tax relief that is one of the largest in New Jersey's history.

These are good times in New Jersey. Our economy is robust. It is the envy of our neighbors. Our people are working --- more of them than ever before in our history. And they are being paid more than ever before for their efforts. Our state is growing.

Over the past three years, we have made a series of targeted investments --- in our schools, in our transportation network, in our system of higher education, and in a major effort to fight crime in New Jersey. Those investments are paying off: jobs are coming to New Jersey, the test scores of our students are up, our colleges and universities stand on the edge of prominence, and crime is down for the third year in a row.

New Jersey's economic strength has allowed us in this budget to meet the critical needs facing our state. But beyond that, it has given us the tools to invest in an even better tomorrow.

I propose to you today a budget which makes investments of unprecedented size in cleaning up the environment, improving schools and colleges, fighting crime, meeting human needs, and perhaps most importantly, in relieving the tax burden on our citizens and businesses.

It is a clarion call for a strong, confident, and forward-looking state. It is a blueprint for a better New Jersey.

In my annual message, I highlighted this year's number one priority --- defending New Jersey's environment.

As you recall, in this Year of the Environment, I am recommending a \$450 million program to clean up both solid and toxic waste and to set up a revolving fund for clean water. These monies when combined with other available funds will result in over three-quarters of a billion dollars dedicated to a clean New Jersey.

If you support me in this program, New Jersey will be leading the largest environmental cleanup in the nation's history. For our part, we will redouble our efforts through the courts to make sure, when they can be identified, that those who cause the pollutants pay the full cost of cleanup.

I believe we should also examine our state's spill fund to see whether we can't responsibly increase its size and effectiveness. I look forward to working with you in this regard as we attempt to create a stable source of funding without damaging our state's economy. Those who generate hazardous waste must pay their fair share in cleaning it up.

In addition, for a clean New Jersey, I recommend \$15 million for a revolving fund to match federal funds for waste water projects. This should help ensure that these projects can be built, particularly in our state's cities.

I am also requesting additional funds to monitor hazardous waste facilities. We want no tragedies in New Jersey from improperly handled toxic waste --- not in our state.

I thank you for passage of our solid waste legislation. This will be of great help in solving our overall problem. I was, however, disappointed to note that you removed the fee to pay for the state monitoring. Please reconsider this action. We must have funds to ensure that no waste disposal site pollutes our drinking water.

In the past year, we have identified old sites contaminated by uranium, thorium and radium. I am asking you for funds to identify, monitor, and clean up these sites.

Obviously, we must be no less vigilant in our fight against air pollution. I congratulate you for stiffening the penalties. I am, in this budget, requesting money for the new equipment we need to monitor air quality and to trace toxic air pollutants to their source.

In New Jersey, we are justly proud of our state parks. We now manage 282,000 acres in our small state. Almost 9 million people will visit them next summer. I am, therefore, requesting additional funds for park maintenance. This is a sacred trust which we must pass on intact to those who follow.

When all of these requests are combined, I recognize that I am asking for the largest environmental commitment in this or, I suspect, any state's history. Is it worth it? I trust you will answer with a resounding yes. What is more valuable than the air we breathe, the water we drink, or the soil in which we grow our food? We, at this moment, have a historical opportunity. New Jersey is our home. We can leave it to our children cleaner than we found it. Let us grasp it.

New Jersey is blessed with one of the healthiest economies in the region --- and the nation. In the past two years, we have attracted record numbers of new jobs, and have seen our unemployment rate fall to a ten-year low. Let's continue the strategy we have pursued for the last three years --- it's working! Therefore, today I am asking you to continue our major investment in our transportation system. It is creating jobs now and for the future.

For those of you who need help for training to join as full partners in our prosperity, I ask you today for a further expansion of our job training initiatives.

And let's continue to celebrate New Jersey as a good place to work or play. I ask you for funds to expand our successful "New Jersey and You - Perfect Together" campaign. Let's continue to promote all our New Jersey products. Our farmers need and deserve no less. I, therefore, recommend a major expansion of our Jersey Fresh campaign.

Study after study has shown that improving the cultural environment of a state or a community helps to attract jobs. I am recommending a \$3 million increase for grants from the state Counsel of the Arts. Let's show our neighbors that in this area, New Jersey need never take second place.

This budget contains a number of increases targeted to our cities. They are not yet full partners in New Jersey's economic renaissance. Until they are, we cannot be satisfied.

First, I again ask for your final passage of Assemblyman Schwartz's bill to create an Urban Development Corporation. Its work would be supported with a \$30 million appropriation from community development bond funds.

I am recommending full funding of \$41 million for the urban aid program and full funding of \$60 million for the municipal purpose tax assistance program. This includes a repeat of the \$30 million in new one-time municipal assistance we first enacted this fiscal year.

The current high level of infant mortality in some cities is a tragedy. I am, therefore, recommending an increase of \$1.6 million in targeted health aid, specifically for programs to reduce infant mortality in selected cities of the state.

I am also recommending in the Department of Higher Education \$400,000 to support the University Heights project, which can help coordinate the activities of Newark's universities to provide real benefits to the neighborhoods in our state's largest city.

A number of our mayors have told me that the Neighborhood Preservation program has been a tremendous success in helping to upgrade and preserve older neighborhoods. Therefore, I am recommending a 20 percent increase, to \$3 million for this program.

A critical element of any strategy to attract jobs in cities is education. Therefore, I am recommending an increase of \$1.4 million in the Department of Education for an urban education initiative, which can improve the schools in our cities.

But there is one urban problem which we simply must overcome if we are ever going to bring jobs and people back to our central cities. I have talked to small and large businessmen and businesswomen in our cities. In Newark, in Paterson, in Jersey City, in Camden, and in Elizabeth, they all tell me the same thing. I asked them what is your single most difficult problem --- what could cause you to leave this city rather than expand here. The answer is always the same --- crime.

If we are really serious about our cities, then we must attack the criminal who preys on our citizens.

We have done a great deal in the last few years. We have stiffened penalties, we have built prisons and you can see the results --- a larger drop in the crime rate than any other state in the Northeast.

I commend you for your action in the past and especially Senator Graves for his single-minded devotion to this cause. It is now time to go further.

Let's use the best crime-fighting tool we have --- the policeman on the beat. Today I propose that out of state funds, we put 1,000 new policemen on our city streets.

Our policemen do a great job and when they arrest a crook and he is convicted, they want, as you do, to make sure he goes to prison. We have added over 3,200 prison beds already and we will increase that number to over 5,000 by the end of the year.

This increase, however, is not enough. I have asked you to provide one final piece --- a \$60 million supplemental appropriation in the current fiscal year for needed additional prison cells.

Unless you act promptly, we will face prison overcrowding in our counties this summer. I do not ever want to see again in New Jersey court-ordered release of criminals into the streets. I urge you in the strongest possible terms to act now on this proposal.

Criminals must know that if they are convicted of a crime, particularly a violent crime, there will be a jail cell waiting for them and that in New Jersey they will serve out their full sentence.

One group has served us particularly well in our war on crime --- this is our State Police. They are called upon to risk their lives for us. In return, we must provide them with the support they need.

I, therefore, recommend an increase of \$13.5 million to complete the communications network system for the State Police. It will help guarantee the safety of these brave men and women. I am also recommending \$1.4 million to augment patrols in various areas of the state. This increase will allow us to add 81 State Troopers, a process which we began this year. My request would bring the two-year increase for the State Police to \$33 million.

Finally, I recommend an increase of \$372,000 for investigating and prosecuting members of organized crime and hazardous waste violators. These people pollute our society and our environment; they should be sought out and punished to the full extent of the law.

The fight against crime is not a mere trivial pursuit.

It is fundamental to our effort to make New Jersey a better place.

Lower crime rates mean a better quality of life in New Jersey.

Another key to our quality of life is our schools. The quality of life of future generations will hinge greatly on the quality of our system of public education.

You have heard me speak many times on the strong link between education and jobs. Our support for quality education in New Jersey has a long history.

In 1866, Ellis Apgar was appointed state superintendent of New Jersey. He began an active crusade for improved and free education. Over 100 years ago he put it so clearly. "There is one cause which is the foundation of all reform, the cornerstone of our government, the charter of our liberties, the secret of our prosperity in the past and the hope of our stability and success in the future, and that is the common school education for the whole people in the whole land without regard to race, color, condition or sex."

With that vision in mind, I am proud today to recommend for the first time in many years, full funding of the School Aid Formula.

The total increase I recommend in aid for the schools, \$270.5 million, is the largest single increase in this budget. It is the largest increase in school aid since the initiation of the property tax relief fund --- larger even than the record-breaking increases I have put in previous budgets.

On a per capita basis, no other state in the country has made the commitment to our schools that we have made here in New Jersey. This year brings the total funding for school aid, which we have supported over four years, to over \$9 billion. It bespeaks our love for our children and our faith in the future.

New Jersey's outstanding economic performance in these past two years allows me today to recommend full funding. I doubt that I or any other governor will be able to repeat this in the years ahead. As I have said so often, it is past time to reexamine this formula thoroughly.

My recommendations include the funds to raise the minimum starting salary for teachers in New Jersey to \$18,500.

I am delighted with the bi-partisan support for this proposal. Teachers are the pivotal part of the educational process. Linked with Assemblyman Palaia's bill to create Master Teachers, this proposal should attract and keep good people in the classroom.

This budget also contains funds for teaching scholars, for maxi-grants and for urban schools, all of which I outlined for you in my annual message.

I have also included funds for school districts to implement innovative alternative programs for disruptive students. Disruptive students can destroy a teacher's ability to teach and a student's ability to learn. When necessary, disruptive students must be removed from the classroom for the good of all of the children.

We have made tremendous progress since I presented my Blueprint for Education to you only a year and one-half ago. Our efforts have attracted national attention. More importantly, they have benefitted our children. I was proud, as I am sure you were also, when the United State Secretary of Education, Terrel Bell, told the national forum on Excellence in Education that if New Jersey puts in place all the reforms it proposes, then New Jersey will have the finest public education on the entire country.

We are well on our way, Mr. Secretary, we are well on our way!

This budget provides the tools to advance that reform effort even further, and to better nurture our most important resource --- the minds of our young people.

We have also sought to cultivate that resource by making a massive investment in higher education. For too long, higher education was the stepchild of the state budgeting process. It had been assigned a low priority in the tight budgets of the past. In my view, this was short-sighted and damaging to the state.

This year, I again recommend a major increase in the budget for the Department of Higher Education, including over \$25 million for programs in direct state services portion of the budget alone. This brings the total increase for our higher education system over four years to \$236 million --- a 42 percent increase.

In this same period, we have invested \$44 million in capital improvements and maintenance for the facilities and equipment on campuses --- a ten-fold increase over the \$4 million in the three years before I took office.

These investments are essential for our ability to attract and create jobs in the new, technology-based economy.

We have worked especially hard to establish links between our colleges and universities and industries with growth potential. This budget contains \$16.1 million --- an increase of \$7.6 million --- for the programs of the Commission on Science and Technology.

We must move forward as quickly as possible to establish New Jersey as the national research leader in the new high-tech age. Success will mean jobs for our children.

This budget contains the dollars to fund the four challenges I issued to New Jersey's colleges and universities. I have full confidence in their ability to meet these challenges.

This budget also reaffirms my belief that an inability to pay should never keep those who want, and qualify for, a college education from pursuing it. In addition to the increase in equal opportunity grants, I also recommend a \$3.3 million increase in tuition aid grants. This will mean that since I have been governor, we have increased aid for students by over 45 percent to a record level of \$67.7 million for fiscal year 1986.

Beyond that, I request \$1.4 million for the distinguished scholars programs, which I proposed to you last year, to reward New Jersey's most outstanding high school students --- and encourage them to attend colleges in our state.

Last year, I launched an initiative to improve education in the humanities and foreign languages at our colleges and universities. The humanities form the basis for our culture and for our civilization. I ask you to increase the program's budget.

New Jersey's independent colleges and universities play a vital role in our system of higher education. I request an increase of \$1.4 million, or 11 percent, in aid to these institutions. This makes a 28 percent increase since fiscal year 1984.

I also ask for another substantial increase in aid to county colleges. County colleges are, and will remain, as the name implies, primarily the responsibility of the counties, but we should, and we will, help when funds are available. I therefore recommend an increase of \$4 million to help county colleges meet their operating costs --- this represents a 23 percent increase in aid to county colleges in two years, after a long period of state neglect.

This substantial and continuing investment in our system of higher education is clearly a long-overdue departure from past state practice.

The result will not only be better colleges and universities but a better-trained workforce, more jobs for New Jersey, and a higher quality of life in the state.

I also believe that a touchstone of the mature and decent society is the protection it offers the vulnerable.

I know that New Jersey is a mature and decent society. Our people are compassionate to those in need --- in New Jersey we have a social conscience. Accordingly, in this year of our greatest economic growth in more than 30 years --- in addition to education and environmental protection, I have targeted human services for a major increase. Those who too often are denied their fair share of our American dream should benefit from the fruits of our prosperity. Therefore, I recommend a \$160 million increase to meet human needs.

First, this budget includes an increase of 14 percent in funding for veterans' services.

Of all the people who deserve our help in time of need, our veterans are especially deserving. They answered our nation's call in times of our need --- we simply must not ignore them in their hour of need.

The veterans defended our country when they were called. There are people in our society, however, who cannot even defend themselves. Such a group is the homeless. I am determined that this state will not encourage through neglect the tragic spectacle we have seen elsewhere. Homeless and mentally incapacitated people left to fend for themselves in the streets. It is a repugnant, cruel sight --- and doubly so in times of such plenty.

For this reason, I am asking this year again for an increase of funding for the homeless. The recent cold spell has made the need for this funding abundantly clear.

Another group in need of our help and understanding is the mentally ill and the retarded. Within our borders we have over 4,000 mentally retarded citizens and another 160,000 who are mentally ill. I am, therefore, recommending a \$7.7 million increase in state aid to mental health care in our communities and an increase of \$13.5 million to programs that help the mentally retarded.

Fifty-one thousand of our fellow citizens are legally blind. This year marks the 75th anniversary of our Commission for the Blind. I recommend an increase of 11 percent in its budget so it can improve programs for childhood education and vocational rehabilitation.

Once again this year, I am asking for your help to increase aid to our families with dependent children and those on general assistance. I know that these people have no lobby. Many are even too discouraged to vote, but they need our help and they deserve our compassion. I recognize that this is the second increase in a row, but for a long four years these people had no increase at all.

I believe that one of the most fundamental and rewarding duties of government of, by and for the people, is its constant stewardship of our people's most precious resources --- from one generation to the next. Our most precious resource is the next generation --- our children.

The scourge of child abuse flies directly in the face of all our efforts to maintain a decent society. Child abuse may go undetected and unreported for years --- but its awful effects go on for decades and ripple outward to hurt us all.

How many violent criminals were once abused children?

In 1983, 26,000 child abuse cases were reported. In 1984, the number was 45,000.

We cannot afford to leave any report unchecked. Child abuse can be prevented, but not without enough caseworkers to investigate.

How many of you remember the pitiful story of a little boy named Shawn? Well, Shawn died two years ago --- at the age of three. For most of his short three years, Shawn had been beaten, neglected, and periodically abandoned by his parents. The only happiness that little boy knew was when one kind neighbor took him into her home for several months.

Shortly after he was photographed in his favorite new baseball pajamas, Shawn was taken back --- and finally killed --- by the mother who had herself been abandoned as a child.

Would Shawn have lived a life of such horror and died such a terrible death --- if a caseworker had been there, would his mother have borne him only to kill him, if she herself had been helped as a teenager? We will never know.

But we do know that little Shawn, alone though he was in his agony, was and is not alone in his awful situation. There are other Shawns. Sometimes their cries are heard, their tears and bruises seen. We can and must respond with adequate attention to rescue these families --- these children, having enough caseworkers will help us do that. Therefore, today, I ask you for a large increase of \$40 million for more caseworkers in our cities and towns and for improvements in foster care, placements, adoption, and family services.

Children are not the only victims of domestic abuse. We have all heard horror stories about battered wives. New Jersey has a model program to combat domestic violence. I recommend a \$350,000 increase to expand our program by having the Division on Women extend its training on how to recognize and cope with this problem to emergency room personnel.

I also recommend today some new initiatives to increase the health and well-being of our citizens:

\$870,000 for a statewide asbestos detection and analysis program, as recommended by my asbestos policy task force, to train those who deal with asbestos and to begin public education on the hazards associated with this substance.

I also ask you for monies to finance the training of emergency medical workers. Countless New Jerseyans, including members of my family and I suspect yours, owe their lives to these skilled and dedicated workers. This money will help save more lives in the years ahead.

Finally --- the centerpiece of my health and human services agenda is a plan to meet the medical needs of our people.

First ---- I recommend an increase of almost \$49 million for Medicaid.

Today, I am also proud to announce my support for the state's first program for the care of the medically needy.

There are more than 200,000 New Jerseyans who fall between the cut-off for Medicaid and the income level to provide adequate health insurance and care. They include the elderly, the disabled, pregnant women, the working poor --- and half of them are children.

Even the children who survive medical neglect in their infancy grow up in danger of more childhood diseases, more mental disorders, and escalating health care need throughout their lives.

It is well-documented how beneficial an impact prenatal care has on the children born into our society. Yet one in 20 pregnant American women receives care that comes too late --- or no care at all.

In 1940, one of every two federal health dollars was spent on children. In 1970, that had dropped to one in 17.

These numbers are dangerous to our country; they are unnecessary; and they are unconscionable when you look at how much we spend on much less important programs.

I believe we must address the needs of the medically needy. They are the part-time workers who lack health benefits, they are those who after a lifetime of hard work have saved a small nest egg and find that their small savings disqualify them for Medicaid. They are the disabled; they are the elderly who have chronic medical costs and they are the very young children of struggling young parents.

We know this. And yet, I recently saw that the Association for Children of New Jersey reported that hospitals and doctors are seeing more and more cases where parents delay seeking help --- because they don't have the money to pay for it.

I have received letters from so many people who need help. I remember one in particular --- a woman with chronic asthma. Her husband left the family many years ago, and this mother in spite of her condition has supported her children on low-paying but strenuous jobs. She's worked hard all her life; and she has a right to be proud.

One child is now at a fine college, on full scholarship --- but her mother still covers some expenses and pays for her books. That hard-working, caring mother can barely make ends meet --- but the little money she makes and has saved to keep her daughter in college has led agencies to disqualify her for many forms of aid.

There are many such families in New Jersey. What happens to them when a medical emergency hits? What happens to the children when they are struggling to rise out of poverty?

This budget contains the money to start up this pioneer medical program. I know that my friend, Tom Deverin, has been conducting a somewhat lonely fight for this program for many years. Tom, I salute you and am proud to join you in this cause.

As the late Hubert Humphrey once said: "The moral test of government is how it treats those who are in the dawn of life --- the children, those who are in the twilight --- the elderly, and those who are in the shadow --- the sick, needy, and the disabled."

I believe that and I know you do too.

As the quote suggests, those in the dawn of life are not the only ones who need our help. Those in the twilight --- our elderly --- have a special set of needs as well.

Our principal source of funds to help them is the Casino Revenue fund. The voters of this state decreed that casino money be dedicated specifically to senior citizens and the disabled. Due to pressures of a difficult time, my predecessor transferred \$80 million of this money to existing programs. This meant that \$80 million less was available for new programs to aid the elderly and disabled.

I pledged that as soon as economic conditions permitted, I would restore these funds. In the past few years we have restored \$50 million. In this budget I complete the pledge and restore the full \$80 million.

I have only one additional recommendation for the use of these funds. For the last several years, the number of such citizens eligible for the Pharmaceutical Assistance for the Aged and Disabled program (PAAD) and the Lifeline program has been slowly shrinking as increases in social security and inflation pushed them above eligibility limits.

I am today recommending that we provide \$25 million to increase the income eligibility limits for the PAAD and the Lifeline programs to \$12,500 for single people and \$15,750 for married couples. This will restore benefits to some 47,000 elderly and disabled New Jerseyans who have been removed from the rolls.

I expect the Casino Revenue fund to have a healthy balance of \$69 million at the end of fiscal year 1986.

In future years, however, a surplus in the Casino fund is by no means guaranteed. I remain deeply concerned that the burdens being placed in the Casino fund will outstrip its resources. I am therefore asking you to join me in an in-depth study. Let's establish a blue ribbon task force to insure the future solvency of the Casino Revenue fund and to review the options available for its use.

I ask that the task force report its findings by next year. All I ask in addition is that the majority of the task force be made up of senior citizens and members of the disabled populations whom the Casino fund serves.

My long-term concerns about the Casino Revenue fund reflect wider concerns about the state budget as a whole.

The rate of growth of mandated state programs, continues to exceed that of our revenue. Without reform sooner or later, we will run into trouble. That is why the work of the State and Local Expenditure and Revenue Policy Commission will be so very important.

Several areas merit the Commission's special attention --- the state school aid formula, the gross receipts and franchise tax. Spending restraints, high property taxes, and an overall tax system which must be designed to encourage growth. I will speak more about that in a minute. All my concerns are mirrored in one way or another in this project.

For instance, it remains vital that our state government live within it means. Providing the best possible service at the lowest possible cost --- "Doing more for less" --- has been my priority since the beginning of this administration. That is reflected in this budget.

The large increases in this budget are in state aid to local governments, school districts and individuals, which in most cases will serve to hold down or decrease local property taxes.

The operating costs of state government are being held down better than ever before. In fact, nine departments of state government will receive no increase at all in their operating budgets.

Moreover, if you set aside our new programs for prisons, colleges, and human needs, this increase is less than 1 percent.

The members of our cabinet have cut hundreds of millions of dollars from the historic pattern of New Jersey budget growth by good management. These cuts have saved the taxpayers money. They deserve our thanks.

Perhaps the most important management strategy of this administration has been to finance as much of the state's needed capital construction with pay-as-you-go capital, thereby holding down the state's long-term debt.

This budget contains a \$283 million pay-as-you-go capital program which combined with the \$311 million capital construction program in the current fiscal year's budget, represents the largest pay-as-you-go program in the history of the state.

It comes at a time when we are authorizing only \$150 million per year in new debt.

Contrast that, if you will, with the year before I took office. That year the state spent only \$25 million in pay-as-you-go while the state was saddled with \$500 million of new debt. We must never go back to those days.

Debt service needs for fiscal year 1986 have increased by only 5.9 percent over fiscal year 1985 --- the smallest increase in five years. In fact, in the current year, we are appropriating more for pay-as-you-go capital than for debt service for the first time since 1975.

New Jersey remains the only state in our region and one of the eight states in the country which enjoys a Triple-A credit rating. This credit rating reflects well on the fiscal management of state government, and our Joint Appropriations Committee, under the leadership of Senator Larry Weiss.

We must remain committed to a sound and cautious fiscal policy which will preserve the state's fiscal integrity.

The budget embodies such a policy. As part of that policy I am recommending a surplus of \$190 million or two percent of the budget --- major financial institutions recommend a surplus or reserve of between two or four percent. In this volatile economy, we should remain within that range.

Our splendid economy has, of course, brought with it a jump in state revenues greater than anyone expected or predicted. But it is extremely unlikely than an end-of-the-year surplus like that for fiscal year 1985 will reoccur soon again. This is a one-time situation; we must not be tempted by its existence into creating large, new, annual expenditure programs that the state will be unable to afford in future years. If we allow ourselves to do so, we will return to the days of annual and bi-annual fiscal crises.

For despite all of the good economic news which has filled the air for the past year, there are some clouds on the horizon.

One of the largest clouds approaches from the direction of Washington. New Jersey could suffer as the Congress struggles to curb its voracious appetite for spending.

For instance, our mass transit transportation funding could be in serious trouble. This budget permits us to avoid a fare increase for the second year in a row --- but that could be jeopardized by major cuts in, or elimination of, mass transit operating assistance from the federal government. I will fight for this money. Holding down fares is the key to attracting mass transit ridership. My goal for mass transit is clear and firm: there should be no fare increase!

I do believe that Congress must reduce spending but those reductions must be done fairly --- defense must be included and we must be prepared to oppose any proposals that single out the Northeast or attempt to balance the budget on the backs of our poorest citizens.

In short, there are clouds on the horizon. The economy is uncertain and we should not let the euphoria of the state's bullish economic performance of these last two years impair our good judgment.

We must also monitor all proposals for tax reform or tax simplicity. In concept, I am in full support but we must be cautious of any program that simply shifts the tax burden from the federal to state and local government. It is not reform --- if you simply collect taxes at a different level.

New Jersey is certainly not immune to the effects of the national economy, good or bad --- our experience of the past few years has taught us that. But we can insulate ourselves from the chill winds of a national economy turned cold, while putting ourselves in the position to benefit greatly when it heats up.

The best way to do that of course is to expand our economic advantages. I strongly believe that New Jersey's most important advantage is its ability to compete as a low-tax state in the region.

That is why the major emphasis in this budget is on relieving the burden which taxes place on New Jersey homeowners, businesses, and individuals.

The focus of this budget is on tax relief. That is where it should be in this time of plenty.

New Jersey homeowners pay some of the highest local property taxes in the nation. In the past three years, we have sharply increased the amount of state aid for programs that would otherwise have to be paid for by local property taxpayers. These efforts have had results: the rate of increase of local property taxes has slowed, significantly.

Today, I am taking that effort a step further. This budget proposes the largest increase in state aid to help relieve property taxes in New Jersey's history. I am asking for an increase of \$603 million in state aid. Of that amount, fully \$522.4 million will go directly to programs to help cut property taxes.

Combined with state aid increases in this fiscal year and last, this budget brings the total three-year state aid increase to \$1.19 billion, a 34 percent jump --- more than double the state aid increase of fiscal years 1979 through 1981.

This record increase comes on top of several major off-budget items which will help local governments hold down property taxes; Transportation Trust Fund aid for roads; Green Acres and Community Development bond funds; and a \$34 million increase in gross receipts and franchise tax monies which will go directly to local governments.

But I believe we should go beyond this major property tax relief effort. We should cut taxes.

As you know, I am prepared to sign legislation to phase down the transfer inheritance tax as soon as you get it to my desk. Over the next six years, the phase-down will save taxpayers about \$585 million. This tax has been driving people out of the state. Now let's drive it out of the state.

This year, we will repay in full New Jersey's unemployment insurance debt to the federal government. It stood at over \$600 million when I took office. In calendar year 1986, this will save New Jersey business \$110 million. These savings will reoccur each year as long as we maintain the sound financial footing of our unemployment insurance trust fund.

This surcharge was keeping out business and jobs. Now we can take down the "Keep Out" sign and lay down the welcome mat instead.

This budget contains the final year of the four-year phase-out of the corporate net worth tax. In the years ahead, the elimination of this tax will spare the state's businesses \$160 million in taxes annually. I pledged to eliminate this tax to help small business. This completes that pledge.

Finally, I ask you once again for a one-time tax rebate for all homeowners and renters in New Jersey.

Legislation to provide this tax rebate sponsored by Senator DiFrancesco and Assemblyman Hendrickson, has been pending before you for almost a year.

Today, I am prepared to increase funding for my original proposal. I recommend that we set aside \$100 million for this tax rebate. This means you can either increase the average rebate to \$60 or expand the coverage. Our taxpayers deserve this further relief. Let's give it to them.

There is one other unfair tax which I have long felt is in need of reform: the gross receipts and franchise tax.

This tax is regressive. It has grown beyond its original purpose. It hurts the poor. It is unfairly collected and unfairly distributed.

The time has come to place a freeze on this tax at its current levels. Then, we should begin to roll it back.

In the meantime, I recommend one change which would cut back on the burden the gross receipts and franchise tax places on hundreds of thousands of New Jerseyans.

I propose that we convert a portion of the gross receipts and franchise tax to a sales and use tax. This would allow that portion of the tax which is converted to be deducted from federal income tax paid. About 38 percent of New Jersey households itemize their deductions. This would help them.

Assemblyman Kern has introduced legislation to convert this tax.

In total, the package I am recommending to you will yield almost \$800 million in direct tax relief for businesses and citizens in New Jersey this coming year.

And just the tax cuts alone will be worth over \$2 billion over the next six years.

We have called upon our taxpayers to help the state in time of need. Now we have a chance to return something to them. We have the chance to help attract jobs. We have the chance to sow the seeds for an even fuller period of growth in New Jersey.

Seize it! The chance may not present itself again soon.

Over the past three years, we have built an advantage that is uniquely New Jersey's.

Let's protect the New Jersey advantage.

This budget does just that through programs that relieve taxes, invest in our schools and colleges, protect our environment and fight crime.

At the same time, continued economic health allows us to provide compassion and care to those in need.

New Jersey's future is so bright: but I believe it can be yet brighter.

This budget is designed to make the most of the prosperity we now enjoy ---- and to keep New Jersey growing even stronger, for both rainy and sunny days ahead.

The budget you have before you is almost 1,000 pages long, containing not only numbers, but graphs and charts. As you look at it, I hope you see more than the numbers --- more even than the charts and graphs.

I hope you see a vision and a plan for our state --- not only for today, but for tomorrow.

Its genesis was not in the governor's office, but in this chamber. The priorities it represents for our state were the first formed more than ten years ago in the mind of a young assemblyman.

I was privileged to sit where you are sitting; proud as you are proud to represent the people of my district; and to hear three good men, dedicated governors, deliver their visions of our state's need.

I sat in Joe Doria's seat, as chairman of the Education Committee. There, I started to understand the need for educational improvement and reform.

There, I was able to write legislation to create the educational opportunity fund, which states proudly that no young person in New Jersey should ever be denied a college education simply because he or she lacks the necessary funds.

I sat in the chairs of both John Paul Doyle and Chuck Hardwick as majority and minority leader, I came to understand the inextricable link between a strong environment and a strong economy.

There I was proud to write the bills creating the Department of Environmental Protection and the Coastal Protection Act.

In Alan Karcher's mighty seat of power, I was able to first help the cities by drafting the state's first urban aid bill and writing the Safe and Clean Streets Act.

Never once in those days did I ever dream that I would one day be standing here as your elected governor. But dream I did --- of this state, of its future, of its limitless possibilities.

My priorities have changed very little since those days. In this budget, you can read those same priorities and I hope share my vision.

I want a New Jersey that will insist on the best education for her children whether in school or college.

For those same children, I want a New Jersey that will dedicate whatever resources necessary to clean up the pollution of the past and to prevent the pollution of the future.

I want a New Jersey where every able-bodied man and woman who wants to work can find a job. And yet, I want a New Jersey that recognizes that this will never happen until our cities share fully in our recovery.

And finally, I want a New Jersey that will never be too rich or powerful to care about the least fortunate of its citizens.

This is my vision. This is my hope. This is my plan.