

STATE OF NEW JERSEY

BUDGET

FISCAL YEAR 1996 – 1997

Christine Todd Whitman, Governor

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BUDGET



FISCAL YEAR 1996 - 1997

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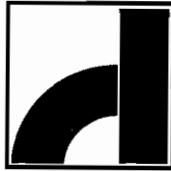
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JANUARY 29, 1996



GOVERNMENT FINANCE OFFICERS ASSOCIATION

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Budget Presentation
Award*

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State of New Jersey**

**For the Fiscal Year Beginning
July 1, 1995**

President

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented an award for Distinguished Budget Presentation to the State of New Jersey for its annual budget for the fiscal year beginning July 1, 1995.

In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications device.

The award is valid for a period of one year only. This is the fifth consecutive year that New Jersey has won this award. 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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FISCAL YEAR 1997 BUDGET
OF
CHRISTINE TODD WHITMAN
GOVERNOR OF NEW JERSEY
TRANSMITTED TO THE FIRST ANNUAL SESSION
OF THE TWO HUNDREDTH AND SEVENTH LEGISLATURE

Senate President DiFrancesco, Speaker Collins, members of the Legislature:

The voters of New Jersey elected us to lead. They wanted lower taxes and better government.

There are many who said it couldn't be done.

But we promised we would --- and this budget keeps our promise.

This year, New Jersey's budget goes down --- for the second time in three years.

Let there be no doubt -- this budget puts my favorite interest group first: the taxpayers of New Jersey.

This budget allows for the tax cuts our citizens deserve and our economy demands.

This budget also eases the burden on the property taxpayer.

It gives municipalities a billion and a half dollars in State aid.

It preserves the homestead rebate.

It continues to absorb the costs of court unification, providing counties with another \$59 million dollars in direct property tax relief.

This budget puts children first.

It affirms our commitment to our children's education by getting more dollars into the classroom.

And it fulfills our pledge to give New Jersey the best juvenile justice system in the nation.

This budget furthers our efforts to enable the residents of our institutions -- who are ready -- to live and work in the community, because we know it is the right thing to do.

Moreover, this budget provides the surplus we need to guard against emergencies and federal gridlock.

And most important, this budget contains my proposal for meaningful welfare reform -- changes that will require individual responsibility and truly break the cycle of dependency.

To achieve our tax cuts and spending cuts, we've had to make tough choices from the moment we arrived in Trenton.

We have gone after runaway spending items that were increasing well beyond the taxpayers' ability to pay.

We have stopped overfunding the state pension and retiree benefits system.

We have contained increases in state salaries and benefits while being fair to employees.

We are bringing Medicaid costs under control.

And we've worked with local governments and school districts to help them curb spending and get the most out of every tax dollar.

Had we taken the easy way out and left these cost-drivers alone, state spending would have jumped by hundreds of millions -- possibly billions -- more dollars.

I couldn't let that happen.

Fortunately, this Legislature joined me in siding with the taxpayers right down the line.

Together, we enacted the biggest income tax cut in state history.

And just to clarify things, the income tax cut has more than paid for itself. Income tax revenues are up this year.

We also went the extra mile to help local taxpayers.

Last year alone, we provided millions of dollars in property tax relief by removing outdated and costly mandates that we had asked our mayors to identify.

GOVERNOR'S MESSAGE

We put a State Mandate/State Pay amendment on the ballot, and the voters passed it overwhelmingly.

We gave New Jersey meaningful binding arbitration reform.

Best of all, we're not through yet. I look forward to working with Senate President Don DiFrancesco on his proposal to restore what was taken away in 1990: the property tax deduction on the state income tax.

Teamwork here in Trenton has helped keep the lid on taxes. But the credit also belongs to local leaders and dedicated citizens.

They have welcomed our help, through Local Budget Review Teams, in finding ways to economize and cut the local tax levy. And they've put our ideas into practice.

I would like to take a moment to salute all the mayors and officials who have shown courage and creativity in breaking the back of runaway local spending.

You are proving that government does not have to grow bigger to grow better.

I know the latest wave of national corporate downsizing has produced a lot of pain and anxiety that has disrupted people's lives and shaken their faith in the future.

No governor or government can decree an end to corporate downsizing --- or any other private-sector layoffs, for that matter.

But a governor can pursue a strategy to create jobs and retain jobs. That is what I have done. That is what I will continue to do.

The budget I am presenting today carries forward our strategy for sustainable prosperity.

Our tax cuts are already translating into more jobs --- and more taxpayers.

Income tax cuts alone account for \$1.2 billion in economic stimulus.

A series of business tax cuts will fuel even more activity when they go into effect this spring and summer.

Economic growth will receive a \$37 million boost in April, when the ill-conceived sales tax on yellow pages advertising becomes history.

And come July, New Jersey will have the lowest small-business tax rate in the region.

We will continue to cut red tape and streamline regulations that hinder economic expansion.

We stand by our commitment to fast turnarounds on permit applications with fee-back guarantees.

We also stand by our commitment to control pollution more effectively and economically.

We will lower energy costs.

We made a good start with last year's rate/flex law. Yet, our energy bills are still too high and still costing us jobs.

We simply have to do better.

That is why I created a task force on energy tax reform.

Contrary to what you may have heard, this task force --- like this budget --- is not about raising taxes. It is about making New Jersey more competitive.

I look forward to the group's recommendations, but I have not anticipated any impact from its work in preparing this budget.

We all recognize the critical need to invest in our state's infrastructure. We're targeting more than \$300 million in this budget for the Transportation Trust Fund program.

And we will leverage this money with other funds to provide well over \$1 billion for transportation projects.

You may have seen the signs which proudly remind America that the Road to the Final Four leads to New Jersey.

Well, the Transportation Trust Fund will help us pave that road. It will also support nearly 50,000 construction-related jobs each year.

With this budget, we also maintain our support for customized training, which helps businesses keep jobs in New Jersey and remain competitive.

We are fully funding the Commission on Science and Technology because it fosters entrepreneurship and creates high-tech jobs.

This budget also supports the mission of Prosperity New Jersey.

We are a small state with big advantages. Prosperity New Jersey is devoted to helping us capitalize on those advantages -- in fields such as pharmaceuticals, international trade, telecommunications, and, of course, tourism.

Tourism alone pumps more than \$20 billion into our economy.

We are committed to keeping that industry healthy and strong.

We are fully funding promotional advertising for travel and tourism. And we preserve the \$15 million stable source of funding for Shore protection.

My administration recognizes that one of New Jersey's greatest economic strengths is also among our major challenges: our cities.

Our cities have added so much to our rich history. We must do all we can to help them share in a prosperous tomorrow.

Through a public-private partnership, we have made \$10 million available for downtown redevelopment.

This budget expands our job-creating Urban Enterprise Zone program to Irvington, East Orange, Hillside, Pemberton Township, North Bergen, West New York, and neighboring Guttenberg.

This program will provide a total of \$55 million to help more than two dozen local governments generate new economic development.

And through the HMFA we will issue \$85 million in bonds this April as the first installment of our \$300 million program to finance new single-family homes in our cities.

City businesses -- along with every growing business in our state -- stand to benefit from the incentives package I submitted to the Legislature last fall.

One of the bills provides cash incentives for expanding in New Jersey or relocating here, with a special advantage for urban business expansion.

Another part of the package authorizes the Economic Development Authority to issue investment bonds that could generate up to \$80 million of private enterprise activity.

The sooner I can sign this incentives package, the faster we can bolster job growth in New Jersey.

Therefore, I am asking this Legislature to pass these bills without delay.

Of course, one of the best ways government can help the private sector is by reducing the burdens it places on the economy through inefficiency and waste.

This budget forces government to take a good, hard look at itself.

I am proposing a number of common-sense changes to make government smaller and smarter.

As this Legislature has proved before, tough budgets and hard decisions show leadership.

We are making tough choices in this budget, and not everyone will be happy.

But we must return government to its core mission and manage every dollar we spend with good common sense.

In making program by program decisions, we have proposed reducing the state government work force by 1,220 employees. That includes 814 layoffs and 406 jobs lost through attrition.

I take no pride or pleasure in announcing job cuts. Behind every layoff is a real person who will face new uncertainties. That makes our work in stimulating private-sector jobs all the more urgent.

But there's no way to avoid job cuts if we are going to honor our pledge to make government more efficient.

One way that government needs to be more efficient is in helping the financial services industry serve the people of New Jersey.

As you know, the revolution in that sector continues to blur the line between banking and insurance services.

Twenty-six years ago, it made sense for state government to split the Department of Banking and Insurance into two separate agencies. Today, it makes more sense to reunite them.

So today, I propose the creation of a unified Department of Banking and Insurance under the leadership of Commissioner Lisa Randall.

This new agency will continue the essential functions of both agencies. It will keep working to expand financial options for New Jersey consumers and businesses.

GOVERNOR'S MESSAGE

And by reducing administrative costs, it will enable us to save those industries more than \$1.5 million a year.

I urge the Legislature to support this business-friendly, common-sense proposal.

We need to get smarter about the hodgepodge of child care programs we have created for low-income families.

In some counties, as many as four different agencies make referrals for child care. But each has its own rules and reporting requirements, so parents get lost in the shuffle.

This convoluted system wastes time and money that we could be spending to help more families.

I have asked Human Services Commissioner Bill Waldman to design a unified child-care system that will give low-income families what they need: easier access and better care.

This budget takes a common-sense approach to Medicaid and the PAAD program as well. We will control spending in these entitlement programs without cutting vital services for needy New Jerseyans.

The bulk of savings will come from more prudent purchasing of health care.

We will, for example, accelerate our plans to move all our welfare clients into Medicaid managed care, which offers them better care and taxpayers greater savings.

We will also save taxpayer dollars by preventing fraud and abuse.

For instance, we will standardize prescription forms and require those who receive General Assistance to choose one pharmacy to fill all their prescriptions.

I want to work with the Legislature on Medicaid and PAAD to determine the best way to control costs while providing for those who need our help most.

I also want to ask this Legislature's support in developing something we all know is long overdue in New Jersey: a coherent, comprehensive policy to help seniors attain the highest level of dignity and independence.

For decades, seniors in New Jersey have been telling us they are frustrated by a bureaucracy that sends them from agency to agency to find the help they need.

On the state level, they face the annoyance of having to call the Department of Community Affairs for housing assistance, Human Services for help with Medicaid, and the Health Department for nursing home information.

This is what we have now: three different departments, three dozen different programs.

And the same kind of guessing game confronts senior citizens at the local level.

Seniors have been asking for one place to go for a whole range of services -- from Meals on Wheels to residential living and long-term care.

I have a message for New Jersey's 1.4 million senior citizens: I have heard you.

I propose that, starting this year, we take the guesswork out of senior services by consolidating all programs for older adults into a Department of Health and Senior Services.

I will submit a reorganization plan to the Legislature, and I look forward to its enactment.

Through this one agency we can coordinate all our programs for seniors and offer more choices -- and more appropriate choices -- for long-term care.

We will also work with counties and municipalities to create a new way of delivering services at the local level.

In every county, seniors will have a single agency focused on their needs, a single number to call to get answers to critical questions.

Supported by a grant from the Robert Wood Johnson Foundation, we will launch pilot programs in four counties this spring.

Seniors have contributed so much to New Jersey. They deserve a better system. Let's give it to them.

With this budget, we are improving government -- and saving money -- in other common sense ways.

We are merging DOT field offices and combining state labs.

We will now have only one agency oversee building plan reviews instead of the three we have now.

What's more, we will continue to privatize state functions that others can carry out just as well or better -- at less cost to the taxpayer.

Along these lines, I am happy to report that we are dealing with several companies that have expressed interest in purchasing the Garden State Health Plan. We should be completing the sale within the next several weeks.

Finding such efficiencies is important for two reasons.

First, it shows our fellow New Jerseyans that we are committed to getting the most from the tax dollars they pay each year.

Second, it gives us the flexibility to create or expand initiatives that can make a difference in the future of our state.

Case in point: juvenile justice.

You've heard the numbers before. One-sixth of all alleged murderers and one-fifth of all accused rapists have not yet reached their 18th birthday.

These criminals are not simply a public safety problem; they are New Jersey's children.

We must turn troubled youth away from crime and toward a fulfilling and productive future.

Improving juvenile justice in New Jersey must and will remain a priority of my administration.

This year we will provide \$93 million in State funds and \$5 million in federal funds to implement our juvenile justice initiative.

With a strong, coordinated State role through the new Juvenile Justice Commission, we can help communities find their own solutions.

We will establish a facility for female juvenile offenders, strengthen our Jamesburg facility, and add staff at our institutions for young offenders.

We will fund a juvenile boot camp that will open in the next few weeks.

And our juvenile justice budget includes nearly \$7 million to help communities implement prevention and early intervention plans.

Juvenile justice reform is just one piece of our comprehensive strategy to fight crime.

We started two years ago by passing Megan's Law. Last year, we enacted three-strikes and-you're-in legislation.

This budget pays for those initiatives. And it supports our largest construction project ever - the 3,200-bed South Woods State Prison.

Let criminals beware: when we say we will protect New Jersey's families, we mean it.

As I stated three weeks ago in my State of the State message, no issue we confront this year will be more challenging or more important than our efforts to provide every New Jersey child with a world-class education.

I reiterate the pledge I made then to work closely with the Legislature on a school funding plan that meets the needs of every child in our state.

Although our new plan will not take effect until September of 1997, this budget continues our strong commitment to the students of New Jersey.

It provides an additional \$60 million in foundation aid for special needs districts. That's over and above the \$100 million we added last year and the \$28 million the year before.

We are funding our School Efficiency Program to reward schools that focus their money in the classroom and to penalize those that waste money on overhead.

And I'm happy to announce that we are giving our schools more tools for learning. With this budget, I am proposing a new \$10 million initiative that will help every district in New Jersey bring innovative technology into their classrooms.

We'll give the districts flexibility in using the funds to meet their needs, with one stipulation: The technology must support rigorous curriculum standards.

This budget also continues our commitment to our students who pursue higher education.

We are providing the funds to ensure that a Tuition Aid Grant is available for every New Jerseyan who needs help in going to college. Moreover, this budget maintains our commitment to the Educational Opportunity Fund.

By preserving these programs, we will keep open vital avenues to success for needy and educationally disadvantaged students.

Direct State support for our colleges and universities, while still substantial, will decrease slightly in this tight budget year.

GOVERNOR'S MESSAGE

Cuts in aid are never easy to absorb. But I am confident that our colleges and universities can make changes and find efficiencies that will keep tuition affordable for students and their families.

I also have high expectations for the citizens who are preparing the state's Higher Education Master Plan. This document, which is due this summer, should help guide higher education in meeting the needs of New Jersey with the dollars available.

Good schools and colleges are vital to a sound economy. And so is a healthy environment.

New Jerseyans have repeatedly affirmed our belief that investments in a clean and green tomorrow are dollars well-spent.

They made that clear by passing a \$340 million Green Acres bond act last year that will help us protect invaluable open space, farmland, historic sites, and sensitive coastal areas and inland flood plains.

I'm proud of what this budget says about our commitment to blending our economic needs with environmental protection.

This budget supports the State Planning Office in mapping out sensible and responsible development.

And by moving our DEP away from command-and-control and toward cooperation, we are showing that you can preserve jobs as you protect the earth.

We are resolving more and more disputes outside of court, which reduces our legal costs. We are growing more efficient in reviewing permit applications. Permit reviews won't be lengthy, but neither will they be lax.

And we will invest in the environment by funding the work needed for our Green Plan, which will set environmental goals for a sustainable future.

Cooperation is our watchword. But let no one doubt that strong environmental enforcement must and will remain part of our strategy.

The enforcement budget in DEP is held firm. The people of our state expect and deserve as much.

There is one last issue I would like to turn to: welfare reform.

We are a compassionate society and have always been willing to help those in need.

Unfortunately, our welfare system, which was intended to provide temporary support, has turned into a way of life for generations of people.

It has been harmful to children and destructive to families.

It rewards failure and discourages work. And it has wasted billions of taxpayer dollars in the process.

It's time to get back to making welfare temporary and making work pay.

Today, I am proposing to reform welfare by combining incentives for people to start work with a support system to help them stay in the work force.

In fact, the name we have given our new approach captures that emphasis: Work First New Jersey.

Work First New Jersey is tough love at its best. While it offers a great deal of government support --- that's the love part --- Work First also demands personal responsibility in return --- that's the tough part.

To receive assistance, Work First participants will have to meet several requirements.

They must cooperate with child support collection or forfeit their benefits.

If they are teen-age parents, they will have to go to school and live under adult supervision.

They will have to follow work requirements.

And they cannot stay in the program for more than five years.

In return, government will do its part.

We will help Work First participants get ready for work and into jobs.

What's more, we will help them keep their entry-level jobs.

We will give them temporary health insurance and child care, along with financial and other support services, as they make the transition from dependency to self-sufficiency.

We'll help teen-age parents finish their education.

We will invest in technology to get people into jobs faster and to guard against fraud.

We will double our investment in child care and work programs by the year 2000.

And we will consolidate the municipal and county welfare programs into one, unified system that serves participants better.

When this consolidation is completed, it will provide local governments nearly

\$60 million in property tax relief each year.

Work First New Jersey is not an entitlement program. It is something better -- a pact to deliver families from the cycle of dependency and into the mainstream of American life.

Work First New Jersey is a sound proposal. With input from citizens and legislators, we can make it even stronger.

Over the next several weeks, my Cabinet will invite citizens to comment and improve upon Work First.

And I ask the Senate President and Assembly Speaker to help me put together a task force to gather the best ideas from the Legislature.

I know that Senator Wayne Bryant has been a leader on welfare reform. Senator Bryant, I look forward to your input.

We designed Work First New Jersey in anticipation of federal block grants.

We know that block grants are the only real answer. They will give us the flexibility to do the job right. Without them, we would have to apply for 32 separate waivers to create this program.

Washington can make it difficult, or Washington can make it easy for us.

President Clinton has challenged the states to come up with ways to reform welfare.

Mr. President, I accept your challenge.

Give us block grants or give us waivers. But give New Jersey the green light to end welfare as we've known it -- now.

Ladies and gentlemen, the budget I am presenting today is responsible, it is effective, and it is balanced.

It promotes jobs in the private sector.

It invests in safer neighborhoods and better schools.

It makes New Jersey greener and healthier.

And it spends less of the taxpayers' money than last year.

The coming months will challenge us all.

Don and Jack, I look forward to working with all the members of this Legislature under your leadership.

I invite Democrats, under Minority Leaders John Lynch and Joe Doria, to work with us.

And I will rely on the expertise and experience of Budget Chairmen Bob Littell and Walt Kavanaugh.

As I've said before, every line item in this budget has a constituency group behind it. Though well-intentioned, some of them fail to see the big picture.

We cannot lose sight of the big picture.

Let's find the best ways to achieve goals we all share.

Let's continue to spend the taxpayers' money wisely.

Let's keep making government smarter as well as leaner.

Let's make the future work for all New Jerseyans.

Thank you.

Respectfully submitted

CHRISTINE TODD WHITMAN
Governor of New Jersey

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