

STATE OF NEW JERSEY

BUDGET



FISCAL YEAR 1995 – 1996

Christine Todd Whitman
Governor

Brian W. Clymer
State Treasurer

Elizabeth L. Pugh
Director

JANUARY 23, 1995



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
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State of New Jersey

For the Fiscal Year Beginning

July 1, 1994

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, 1994.

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 fourth 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 1996 BUDGET
OF
CHRISTINE TODD WHITMAN
GOVERNOR OF NEW JERSEY
TRANSMITTED TO THE SECOND ANNUAL SESSION
OF THE TWO HUNDREDTH AND SIXTH LEGISLATURE

Thank you, Senate President DiFrancesco.

Good afternoon.

Last year, I promised taxpayers that this budget would be different.

And it is.

More than ever before, it's your budget.

We held town meetings around the state.

Every cabinet member conducted public hearings.

We promised to reach out through radio and television to hear your concerns.

We said we'd listen, and we did.

This \$15.9 billion budget represents the hard work not only of our Treasurer and his staff, but of thousands of people who aren't even on the public payroll.

And I want to take this opportunity to thank you — mothers and fathers, teachers and truck drivers, secretaries and small business owners — for sharing your ideas with us.

Your involvement matters because — as I said last year — the budget is a policy document. It is the roadmap of state government.

Your input is essential in determining our direction and our destination.

And we are not through yet.

On Thursday, I will hold the first-ever statewide televised town meeting to get your comments on the budget.

We are setting up an 800 number so you can call in your comments.

And the budget summary and speech will be on the Internet and in our public libraries by Wednesday.

I hope you'll surf the net or scan the shelves and let us know what you think.

I'm proud of this document.

It keeps promises.

It uses common sense to invest our dollars and cents wisely.

And it accomplishes a lot.

It absorbs the enormous cost of taking over the county courts.

It complies with the Supreme Court's ruling on school funding.

It helps municipalities, supports education, and provides for New Jerseyans in need.

It reduces the state's reliance on one-shot revenues from \$1.6 billion two years ago to \$348 million this year — a 78 percent reduction.

And it includes a \$500 million surplus essential to preserving New Jersey's bond rating.

Last year's budget set us on the right course.

Our tax cuts established credibility with the people.

More important, they helped create jobs for the people.

The numbers speak louder than words.

This past year, the private sector created 63 thousand new jobs.

That's 63 thousand more New Jerseyans who are supporting their families and contributing to their communities.

We must continue to cut taxes.

We are still competing for jobs and businesses with other states across the nation.

Last year I promised to cut state income taxes by 30 percent over three years for most New Jerseyans.

I said lower taxes would be good for the economy and good for our citizens.

Today we're halfway there.

We already have cut income taxes 15 percent for most New Jerseyans.

We have removed 380 thousand lower-income citizens from the tax rolls entirely.

And the tax cuts are working — even better than I thought.

Our job growth has put tax revenues in the state coffers faster than we expected.

So why wait to reinvest in New Jersey's future?

Why wait to return as much money as we can to taxpayers?

GOVERNOR'S MESSAGE

Why wait until next year to keep a promise we can keep right now?

Today I am asking the Legislature to complete the 30 percent tax cut in this budget — one full year ahead of schedule.

Effective January 1, 1996, I want families earning up to \$80 thousand and individuals who earn up to \$40 thousand to pay 30 percent less than they did just two years before.

Families making up to \$150 thousand would pay at least 23 per cent less in taxes.

And families earning more would save at least 10 percent.

I want all families to have more each year to spend, save, or invest as they see fit.

And I want the same for business.

In this budget I am proposing three business tax cuts designed to create new jobs.

Jobs in our inner cities.

Jobs in growing industries.

Jobs throughout New Jersey.

Our first proposed business tax cut is a change in corporate tax policy to encourage multi-state companies to invest and employ people in our state.

The other two cuts will benefit small business, which create up to 95 percent of our new jobs.

I am calling for the repeal of the telecommunications sales tax on Yellow Pages advertising.

I am also calling for a reduction in the corporate income tax rate from 9 percent to 7.5 percent for small corporations earning less than \$100 thousand.

That would make New Jersey's small business tax the lowest in the region.

Of course, when it comes to cutting taxes, no group of lawmakers does it better than New Jersey's Legislature.

You established the trend before I arrived.

You have helped me keep my promises to the people.

I would especially like to acknowledge the dedication, energy, and reliability of one legislator whose name should be synonymous with taxes cut and promises kept: Assembly Speaker Chuck Haytaian.

Chuck, you have made a positive difference in this chamber and in people's lives.

Since you and I won't work on another budget together, I couldn't let this occasion pass without thanking you, on behalf of all the people of New Jersey, for the superb job that you have done as Speaker.

Together, our income and business tax cuts are working to put more New Jerseyans back to work.

Some argue that these tax cuts will force local property taxes to rise.

That simply isn't so.

The state does not collect a penny of property tax.

The state does not spend a penny of property tax.

Those functions are the exclusive domain of the counties, the municipalities, and the school districts.

Property taxes reflect local spending decisions.

High property taxes are the price homeowners pay as school boards and local and county governments struggle to control costs.

It is the policy of this administration to help them win that struggle.

That is why this budget increases spending for education and local governments by almost \$400 million.

We also fully fund the Homestead Rebate Program for qualified senior citizens and the disabled.

And we are going to strive to take the guess-work and anxiety out of the local budget making process.

We propose consolidating 18 municipal aid programs into four.

Just as important, we will announce the distribution of both the Consolidated Property Tax Relief Fund and \$85 million in Excess Gross Receipts not later, but now — before local budgets are introduced in February.

Last year, I promised we would help towns and school districts become more efficient so that they could cut property taxes.

Our Local Budget Review teams are doing just that.

So far, they have found potential property tax savings averaging more than 10 percent in towns as diverse as Passaic, Willingboro, and Ventnor.

We will eliminate legal barriers to regionalization so that counties, towns and school districts can combine resources more easily.

We can also make life a whole lot easier on the taxpayers by reforming the binding arbitration laws in New Jersey.

Arbitrators should be allowed to strike a balance between labor's legitimate demands and a towns ability to pay.

I urge the Legislature to pass a fair and sensible binding arbitration bill.

And to do it now.

I will also push for a State Mandate/ State Pay constitutional amendment to appear on the ballot this November.

All these measures will help local governments to keep their property taxes down.

But not everyone will be happy with this budget.

We will continue to phase out density aid to municipalities because it hasn't served a justifiable public purpose.

And as we increase foundation aid to special needs districts by \$100 million to comply with the Supreme Court mandate, we will have less flexibility in funding other districts.

Under this budget, the majority of school districts will receive a funding increase.

The majority of those that do lose aid will lose an amount that is less than 1 percent of their overall budgets last year.

This budget will provide substantial aid increases for regular education and special education programs to all districts that are enrolling more students.

We will provide additional aid to reward efficient regionalized school districts.

But we won't reward waste.

It is well known that we spend more per pupil than any other state.

But it is embarrassing that we rank 49th in the percentage that reaches the classroom.

Starting this year, the state will reduce funding for districts that spend more than 30 percent above the state average on bureaucracy.

Our message to these districts is clear: If you waste money and run up huge bills, don't expect the state's taxpayers to pick up the tab.

Those days are over.

The policy governing every measure we take in education can be summed up in four words: The children come first.

In running state government, the taxpayers come first.

I cannot in good conscience ask local governments and school boards to do what we are not willing to do ourselves.

It is the policy of this administration to live within its means, to spend each tax dollar wisely, and to collect revenues responsibly.

Yes, this budget does propose \$19 million in fee increases — some of which have not been raised since the 1970's.

These fee increases account for twelve one-hundredths of one percent of the overall budget.

This budget also includes measures designed to capture every tax dollar that is owed — because we all pay for every tax dollar that Treasury fails to collect.

We have controlled government spending in a myriad of ways.

First, we have applied \$129 million in cuts to government operations.

The operating budgets in fourteen state departments have actually been reduced.

Second, our "Government That Works" initiative is finding efficiencies program-by-program.

It has generated nearly a quarter of a billion dollars in savings.

We will save \$131 million from Human Services without cutting services to clients.

Following the successful privatization of six state-operated day care centers last year, we are turning over the remaining five to the private sector this year.

We are consolidating 567 municipal General Assistance programs into 28 county and municipal operations.

And we propose to sell off the state-run HMO because government shouldn't do what the private sector can do better.

\$46 million in savings have come from the Department of Corrections by such means as cutting overtime hours and re assigning officers from desk jobs to custody duty.

\$18 million have come out of Transportation, some of it through the proposed privatization of the remaining state-run motor vehicle agencies.

And at last I can tell you that in New Jersey, only one agency regulates the dead.

The Cemetery Board will move into the Division of Consumer Affairs and cut its staff costs in half.

These savings and efficiencies are only the beginning.

GOVERNOR'S MESSAGE

I have instructed our "Government That Works" group to focus on cross-cutting issues like procurement, technology, asset sales and personnel reforms that will yield cost savings for years to come.

But we will never produce leaner, smarter government until we get a handle on spiraling labor costs.

We have to reduce the state payroll and control our health insurance costs.

And we will.

This budget could result in the elimination of as many as thirty-four hundred positions.

812 state jobs will be eliminated by streamlining and consolidating units in nine state departments.

And we estimate 345 positions will be eliminated through planned attrition in the Departments of Treasury and Corrections.

Competitive contracting or privatization could affect more than twenty-two hundred positions.

Allowing private firms and nonprofit agencies to compete with the public sector to provide certain services is simply common sense.

Let me be quite clear on this point.

Preserving positions that we cannot justify only makes government less responsive and more expensive.

We are trimming the state workforce to improve state government.

These reductions will help government set priorities and serve the public better.

I realize that's little comfort to those who may be affected.

Losing a job, whether through competitive contracting or programmatic changes, is a blow.

And it is a loss.

I cannot and will not understate that fact.

I want to invite the state employees' unions right now to work with us to explore ways to alleviate the impact of restructuring the work force.

Under the direction of Linda Anselmini, my Commissioner of Personnel, I am asking that discussions begin immediately on this important task.

When we are talking about an issue as serious as layoffs, it is only fair that everyone on the payroll tighten their belts.

More and more employees in the private sector participate in managed health care programs.

We are, therefore, asking our employees to pay the difference if they choose a health plan that is more expensive than our own managed care program, New Jersey Plus.

We will also seek to end the expensive practice that forces the taxpayers to foot the bill for two health insurance policies in one family on the state payroll.

And because 81 percent of New Jersey's private-sector employees pay a share of their health insurance premiums, it's time for state management to do the same.

Beginning July 1, the state's non-union employees will begin a three-year phase-in of a 20 percent employee contribution to their health insurance premiums.

As an employer, the state will do its part to ease the financial burden of these changes.

We will establish a program that will permit public employees to pay health insurance and child care costs with pre-tax dollars.

This is not only sound fiscal policy.

It is also sound family policy.

While taking a common sense approach to state operations, we are also using common sense to cut spending and expenses while improving services to vulnerable members of our society.

We can solve problems and save money by stressing prevention and early intervention.

That is why this budget makes an initial \$10 million investment to reform our juvenile justice system.

Now for the first time, a new Commission will have the authority to coordinate the entire range of services for juvenile offenders.

Preventing juvenile crime and effectively intervening at the first sign of trouble will make our neighborhoods safer and our future brighter.

Moving our state's Medicaid patients into managed care makes sense because it will give them quality primary care and cut down on costly visits to emergency rooms.

And the time has come to create the group homes and community programs needed to begin closing developmental centers and mental hospitals.

This will give those who are ready the opportunity to live and work more independently in the community.

We are not closing institutions to save money.

In fact, I am asking the Legislature to provide more than eight million dollars in bridge funds to help people with developmental disabilities and people with mental illnesses make this vital transition.

At one time or another, each of us may need government to lend a helping hand.

But we all need government to protect the air we breathe and water we drink.

We must keep New Jersey clean for our citizens today and for the generations to come.

But we should not spend huge sums of money to protect the environment when we can get the same results at a fraction of the cost.

That's why we are streamlining the Department of Environmental Protection's management and moving the department away from its reliance on fees and fines.

That is why I fought so hard in Washington to find a less expensive and more convenient way for New Jersey to follow the Clean Air Act.

I didn't see why taxpayers had to shell out \$781 million for an untried emissions testing system just because it had the EPA's seal of approval.

Because we convinced Washington to let us meet Clean Air standards our way, we have saved New Jersey's taxpayers \$361 million and more aggravation than any motorist should bear.

And the air we breathe will be just as clean.

We have adopted the same kind of approach to protect our drinking water.

With the Legislature's support, New Jersey has committed up to \$10 million to purchase and preserve Sterling Forest in partnership with New York State and the federal government.

This single forest protects drinking water for one out of every four New Jerseyans.

Letting nature cleanse this water not only makes environmental sense, but also saves us the far greater cost of building treatment plants.

Last year I proposed a major change in how we govern New Jersey's colleges and universities.

I pledged the State would interfere with these institutions less and support them more.

Our plan is working.

With more autonomy, our campuses are seizing fresh opportunities for collaboration and excellence.

That's a credit to the college presidents and trustees, their faculties, and the students themselves.

Today we continue our commitment to those students.

This budget increases higher education funding by nearly \$41 million.

It adds \$1.8 million more to the Educational Opportunity Fund.

We provide full funding for Tuition Aid Grants for our neediest students.

To help maintain classrooms and campuses, this budget includes the necessary debt service for the Higher Education Trust Fund.

Most important, we are increasing aid to every sector — state colleges and universities, county colleges and the independents — because we need every one of them to help move New Jersey forward.

Just as we need to invest in our campuses for economic growth, we need to assure continuance of the Transportation Trust Fund to preserve and enhance our infrastructure.

An additional \$3.5 billion over the next four years will meet the needs and demands of a growing economy well into the next century.

It holds the line on New Jersey Transit fares.

It invests in Federal Clean Air standards.

It includes 50 million additional dollars every year for municipalities and counties.

And it helps fund 250 thousand jobs.

I look forward to working with the Legislature in meeting this important responsibility.

In 1994 we began to do things differently, and we're getting better results.

Families have faith in the future.

Business confidence is soaring.

And we are moving forward.

But we can't assume that our successes will continue on their own.

We must stay on track.

We have to keep cutting taxes and making every dollar count.

Staying on track will not be easy.

As I said before, there will be winners and losers in this budget.

There have to be if we are going to give everyone a fair chance to win in the long run.

GOVERNOR'S MESSAGE

Every line item in this budget has a constituency group behind it.

We will be hearing from them in the coming months.

And we welcome better ways to achieve our goals.

But we cannot, and will not, give in to those who simply object because they fear change.

And we cannot put dollars back in the budget to support programs that do not belong there or have been badly managed.

We built this budget to support the principles upon which I was elected.

We will be frugal and spend your money wisely — not to make government bigger, but to make government better, and to give you and your families more freedom to control your own lives.

This budget keeps our promises.

As always, I look forward to working with all the members of this Legislature under the leadership of Senate President DiFrancesco and Speaker Haytaian.

I will rely on the expertise and experience of Senate Budget and Appropriations Chairman Bob Littell and Assembly Appropriations Chairman Walter Kavanaugh.

I believe in giving our citizens the tools and flexibility they need to make New Jersey the healthiest, most compassionate, and most prosperous state in the nation.

We are all partners in this enterprise.

As we work together over the next six months, let us go forward in good faith.

Let us meet our goal of fiscal responsibility.

Let us promote prosperity.

Let us keep our promises to the people of New Jersey.

Thank you.

Respectfully submitted,

CHRISTINE TODD WHITMAN
Governor of New Jersey

Attest:

PETER VERNIERO
Chief Counsel to the Governor

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