

GOVERNOR CHRIS CHRISTIE'S FISCAL YEAR 2013

BUDGET ADDRESS AS PREPARED FOR DELIVERY

TRENTON, NEW JERSEY FEBRUARY 21, 2012

Lieutenant Governor, Mr. President, Madam Speaker, members of the Legislature, distinguished guests, former Governors, and citizens of the State of New Jersey:

It is my pleasure, and my duty, to present to you my budget for the year ending June 30, 2013.

Two years ago, when I entered this chamber for the first time, the fiscal condition of our state was as dire as it had been for decades. Hope was low. Pessimism seemed like a permanent state of mind. My thoughts wandered back to my inaugural – to why I wanted this job in the first place. On Inauguration Day, I said, "I asked to serve, because I believe we can do it."

I did believe, even in those difficult days, that real leadership could turn New Jersey around. In those darker days of recession, we began our journey together toward the New Jersey Comeback with some hard choices, some very hard choices. We took those first steps together – we knew what we had to do.

We had to get our budget under control, and so we cut spending – not spending growth, but the actual dollars spent by state government – two years in a row. We were able to preserve and fund essential priorities, but it was the first time in decades that real spending had actually been cut two years in a row.

As you know, we took other steps as well – reforming pensions and health benefits and capping the growth of property taxes and the interest arbitration awards that drive them.

There was one more thing we needed to begin the turnaround of the state we love. We had to feel good about ourselves again. We had to believe in each other again. We had to dig down deep into our well of Jersey strength and restore our confidence. To do this for our state and for each other, there were two indispensable elements – leadership and truth.

Both require courage. Both must come from what we feel from within. Both could lead us to better days. For those of you in this chamber, and you know who you are, who gave both to our state and its citizens – I say thank you. To the millions of New Jerseyans who gave both to our state – I am in your debt. To those who have yet to give, there is good news. It is not too late – because the New Jersey Comeback has just begun. Resolve today to join us in the tough choices which leadership and truth inexorably lead us to and join us now. End the nay saying – join us to accelerate the New Jersey Comeback this year.

I said at the time that these tough choices would pave the way for better ones in the future.

You see, because our previous tough choices have indeed made a difference. Those budgets for Fiscal Year '10 and Fiscal Year '11 were balanced – without raising taxes. Since I took office, we as a state have added nearly 60,000 private-sector jobs. And 2011 was the best year of job growth since the year 2000 and places New Jersey in the top third among the states.

In these last two years, we have begun to move our unemployment rate in the right direction – down, from 10.1% when I was sworn in to 9% today.

Today, it is time to continue making those better choices. Today, we will both maintain our fiscal discipline, and drive New Jersey into a new era of growth. Today, it is time to put the New Jersey Comeback into high gear.

I am presenting to you my budget for the Fiscal Year 2013. The budget I propose would total \$32.1 billion for the coming fiscal year. While this represents minimal growth from last year, it is still below the level of state spending when I took office. This is in sharp contrast to the increase in state spending of 56% that occurred in the seven years between 2001 and 2008.

This budget funds key priorities in order to accelerate job growth and to meet our most urgent needs. Most importantly, it does not raise taxes, and it is truly balanced.

Because we have made the tough choices in these last two years, we can make the right ones now.

In this budget: I propose that we provide tax relief to every New Jersey citizen – through the first year of an across-the-board 10% cut in their income taxes; and increasing the Earned Income Tax Credit for the working poor. The people of New Jersey have suffered for too long under the burden of high taxes, it is time for real relief.

I propose that we increase school aid, for the second year in a row, by over \$200 million, to \$8.8 billion, a record amount of state aid to education. There is no priority more important than educating our children, so let's reform our schools and give them the tools to be great.

I propose that we more than double the state's contribution to our pension system. Last year, we enacted landmark reform that showed the nation that we can come together on a bi-partisan basis to manage our long-term liabilities. In my budget, the state will make good on its obligation to fund our pension system.

I propose that we continue to reform and repair the programs of state government to better engage and serve New Jersey's most vulnerable citizens.

Let me cover these areas one at a time.

First, any job growth plan for New Jersey has to start with cutting taxes. As everyone in this room knows, or should know, New Jersey raised state taxes and fees 115 times in the eight years before I became Governor. Government abused the taxpayers of New Jersey because government refused to control its own appetite for spending.

We are in a competition for jobs with other states. Some other states, like New York and Connecticut, are raising income taxes that will drive businesses out. New Jersey should choose responsible tax cuts to give overburdened citizens relief and help businesses grow jobs.

Our tax rates, and our overall tax burden, were also the worst in the region. And the effects were being felt: a study by scholars at Boston College found that \$70 billion of wealth had left the state in the prior five years. That exodus hurt jobs, economic growth and yes, even state tax revenues.

Our standing in the last two years has improved somewhat – but not enough. We have stopped spending growth in its tracks. We have eliminated the special surtax that for a time gave New Jersey the highest marginal tax rate in the nation – and I am proud to have twice vetoed the effort to re-introduce it. And just so there is no mistake in my intention: I will veto any tax increase again.

The property tax cap that you passed and I signed into law has worked. A recent study showed that in 2011 New Jersey had the lowest property tax growth in 20 years. Communities have had the right to override the cap, but the overwhelming majority has chosen not to.

The people have spoken, and they want lower taxes.

So in this budget, I have included the proposal I outlined for you a few weeks ago in the State of the State address. I propose to reduce personal income tax rates, across-the-board, for every New Jerseyan, by 10%, and I propose to begin the three-year phase-in of the cut with this budget.

A 10% tax cut for every working New Jerseyan will help families to keep more of what they earn. It will make us more competitive with other states and attract more new jobs to New Jersey. Every New Jerseyan deserves a tax cut.

Lower tax rates will relieve over-burdened middle class families. They will keep job creators here. They will begin to bring us into a more competitive situation with our neighbors in the region. For make no mistake, even with the 10% cut that I propose,

our tax rates in many brackets will still be higher than New York's, higher than Connecticut's, higher than Pennsylvania's. Even though a few of these states are making the mistake of trying to catch up by raising tax rates, we need to reverse our competitive disadvantage. In the mid-Atlantic region, New Jersey needs to be the best home for growth.

Some hard working, low-income New Jerseyans pay no income tax at all. In this budget I am proposing relief for them, too. In 2010, our disastrous budget situation forced us to trim the Earned Income Tax Credit. With this budget, I propose to increase it, from 20% to 25% over the next two years. With my proposed increase, New Jersey will have one of the most generous state tax programs for the working poor in the nation – with an average annual benefit of 550 dollars.

So this package provides relief for every New Jerseyan, up and down the income scale. It recognizes that New Jersey's tax situation had gotten out of control and begins to bring it back under our control. It recognizes that every New Jerseyan has shared in the sacrifice that was necessary to begin the New Jersey Comeback and that every New Jerseyan should share in the benefit we're beginning to feel.

Some in this chamber may want to return to the days of outrageous state spending growth. To gimmicky programs that take more money out of the taxpayers right pocket, and have Trenton keep most of it. Then returns far less in your left pocket and then takes a bow and calls it tax relief.

New Jersey has seen 30 years of this as Trenton's solution to fix property taxes. It never has fixed the problem and it never will fix the problem. New Jerseyans will not fall for the same old Trenton politicians' trick again.

We know that the only way to ensure that Trenton politicians will not waste your money is to not send it to them in the first place. Adopt my 10% tax cut plan this year – put our citizens' pocketbooks ahead of the never ending hunger of Trenton politicians for more of our money now.

Personal income taxes, of course, are not the only excessive burden that has been foisted upon our citizens by government in the past few decades. Property taxes have been just as bad. They grew by 70% in the decade before I was elected, in some cases driving people out of their homes and out of the state.

The property tax cap we enacted is beginning to work. We are finally starting to win the battle. We are bringing property taxes under control.

To help those senior citizens and middle income families hardest hit by property taxes, the state has long had a property tax rebate program.

Last year, we were able to double that property tax relief over the prior fiscal year. Senior and disabled homeowners with incomes up to \$150,000 received double the benefits of Fiscal Year 2011 – and they received it directly as a credit on their property tax bill. No more gimmicky checks from Trenton politicians at election time using borrowed money to try to buy your vote.

Non-senior homeowners with incomes up to \$75,000 also saw their property tax relief double over the prior year.

In this budget, in addition to maintaining the benefits of the 2% cap, we are maintaining direct property tax relief at last year's increased levels. There will be no cut in property tax relief in this budget.

Our business tax system is also a key to job growth. It too had gotten out of control. For example, we are one of only three states with both an inheritance tax and an estate tax – and our combined rates are among the highest in the nation. On the old path, people not only couldn't afford to live in New Jersey, they couldn't afford to die in New Jersey either.

Last year, I put before this body eight pro-growth tax reforms that would make new jersey more attractive for family-owned businesses, for small businesses and for job creation. I thank you for passing six of those eight reforms in the past year – joining me in an investment of almost \$200 million in pro-growth tax relief. We've seen our best job growth year since 2000 after these tax cuts were implemented.

This year's budget continues the phase-in of the tax cutting, job growth initiatives we enacted into law.

In its second year, we make a commitment of \$350 million – half way to a total of \$700 million that these measures will provide, when fully phased-in, of pro-growth small business tax relief. Small business has been the number one source of new jobs in New Jersey and in America. And these cuts will make us more attractive for small business job growth.

Let's put New Jersey in an even better position to compete with other states for the jobs our people need.

Competing successfully will of course require more than tax cuts. We must also make investments that will make New Jersey even more productive in the future.

Last year, I offered a Transportation Capital Plan with combined resources of \$1.6 billion per year. This program is a job-creator. New Jersey needs to ensure that its physical infrastructure is world-class, its role as a transportation hub unmatched.

So in this budget, consistent with my plan, I request \$89 million to fund the Transportation Capital Plan. This investment will put even more of our hard working building trades men and women back to work.

When I ran for governor, I made a promise that if we had the courage to make the tough choices to cut wasteful spending we would be in a position to focus our resources on the issues that really matter.

Now that we have our spending under control we can begin to prioritize. One such priority is New Jersey's colleges and universities. And today, because the people of New Jersey stood strong and had faith over the last two years, I am proud to say this budget proposes a nearly 6% increase in direct aid to our senior public colleges and universities. We are able to help make college more available and affordable for New Jersey families. But we need to do more.

To make sure this commitment to higher education is spread to every corner of the state, I ask you today for \$1 million to help create a new Governor's Urban Scholarship Program – to help provide students in New Jersey's inner cities the opportunity they need to succeed.

More broadly, this budget also proposes an increase of over \$28 million above last year for student financial assistance, the bulk of which is a 10% increase in funding for tuition aid grants.

As we continue to support higher education, let us implement the excellent recommendations of the University of Medicine and Dentistry of New Jersey Advisory Committee. The committee has given us a blueprint for long-overdue reform. We can usher in a new era for medical education – throughout the state. And we can make sure that New Jersey secures its rightful place as the national leader in medical education and biomedical research. Let's implement that plan.

In our society, education is the key to advancement. More attainment in education is the path to more earnings and success in life. And a highly educated work force is a key to New Jersey's competitiveness.

So we must continue to fund higher education, and to make it more available to everyone with the brains and ambition to climb that ladder to success.

It is well-known to you that I believe we have work to do to improve our k-12 education system in particular. We have great outcomes in some districts. But we have terrible performance in others.

That is not right, it is not fair and it is not moral.

So I ask you again to pass this year the education reforms I put before you in my State of the State address. We need to reform tenure. We need to pay the best teachers more. We need to expand charter schools in our failing school districts. And we need to give choice and hope to those students and parents now trapped in failing school districts by passing the Opportunity Scholarship Act.

It's not enough and it's not appropriate, to simply tell our most challenged urban families, trapped in over 200 failing schools, that "life's not fair." That is the expressed attitude of some in the educational establishment in our state. It is not mine. It can no longer be the attitude of this legislature. Our job is to make the future better for every child in a failing school. We cannot simply accept failure or even mediocrity. We must demand excellence.

The opportunity to get a great education should not be a function of the zip code you live in – it should be a hallmark of growing up in New Jersey.

And while money alone is not the answer, this budget provides strong support for K-12 education in the form of increased school aid. Last year, my budget provided an increase for every school district in New Jersey. In the budget I am putting before you today, I propose to increase school aid above last year's level – by \$213 million.

With this proposed increase, we will have increased aid to New Jersey schools by over \$1 billion in the two years since I took office.

And this increase would bring the level of school aid in the Fiscal Year 2013 budget to \$8.8 billion, an all-time record level of investment by our state in our school children.

In fact, we propose spending one of every three dollars in this budget on education. We are putting our money where our mouth is.

In the past year, you joined with me to undertake a key reform of our system of pensions and health benefits for state and local employees.

Once again, I thank you for your courage in enacting these reforms. We have shown the nation that it is possible to come together, on a bi-partisan basis, to address difficult long-term problems.

The reforms you passed will reduce the projected deficit of the pension system by over \$120 billion in 30 years, putting it on a much more stable and sustainable footing for years to come.

Part of our agreement on that landmark pension reform was to commit to a phased-in increase of the state's contribution.

The budget I propose makes good on that commitment and will fully fund the second year of that phase-in agreement.

This budget contains \$1.1 billion for the state's pension contribution. This is an increase of \$587 million over last year's contribution. This amount represents 3.42% of our entire state budget this year. In terms of absolute dollars, it is the single largest state contribution ever.

The pension reform we enacted has made employee pensions safer and more reliable. It has put us on a sound long-term track.

My proposal of \$1.1 billion for pensioners in this state reinforces my commitment to the security and financial future of all public workers. Stand with me on this commitment. Let us live up to our word. I implore you, fund this pension contribution this year.

So much of our debate in this chamber in these past two years has revolved around the urgent need to cut spending. And our top priority has been to create the conditions for economic growth and job creation in New Jersey.

But as we do these things, we have to ensure that this growth benefits all of our citizens, including those with mental illness, with disabilities and with the most challenging economic and social circumstances.

In the New Jersey Comeback, we need all hands on deck. We need to tap the talents of every New Jerseyan.

On election night 2009, I promised New Jersey that we would turn Trenton upside down. Part of that pre was to remake government – not only to spend less, but also to deliver services to our neediest in a more effective way. This budget keeps faith with that promise.

This budget includes a series of new approaches and new initiatives to create better opportunities for the most vulnerable New Jersey citizens.

In the area of mental illness, my administration has been committed to making sure that those afflicted have access to appropriate placements and services. I believe we should place the emphasis on providing care in the community and not in an institution. This is not only the most cost effective approach to care, but independent research shows it is the one that will result in the best outcomes.

The coming closure of the Hagedorn Psychiatric Hospital this June marks a new day in delivering services for those with mental illness. One that focuses on providing community-based care and housing. My budget will reinvest the savings from the closure by providing an additional \$5.6 million to the division of mental health and addiction services.

\$10 million in new funding will go to the Department of Human Services. New Jersey has the second highest rate of institutionalization in America. Only Texas puts more of its citizens in institutions than New Jersey. This is a shameful fact. We must change. It is long overdue. We must move aggressively to provide this type of care in the community.

\$24.7 million in new funding is also provided for individuals with developmental disabilities to expand community placements. This will get more people off our existing waiting lists, support those who turn 21 and age out, and pay for the over 600 placements that occurred in the current fiscal year.

But it is not just money that will enable us to serve the people of New Jersey well – especially those most in need of services. We can improve the organization of state government, its transparency and understandability to families who need it. We need to make the provision of services simpler, more accountable, and more comprehensive.

So with this budget, I am proposing to create a new division focused on children within the Department of Children and Families. This division will be the point of entry for all families with children with developmental disabilities – allowing them to benefit from a battery of services without having to be shuttled from agency to agency.

The concept is to treat the whole child and the whole family – in one place. The division will develop an integrated set of services – and for these families, make government work smarter and better. It will also provide a transition process through adolescence to adult services.

So I ask for your support of this simple and streamlined approach to the provision of services. How we care for individuals with developmental disabilities is a fundamental issue. Let's serve this population better.

For our seniors, I propose a similar approach. With this budget, I am proposing the creation of a Division of Aging Services. This division, to be housed in the Department of Human Services, will also be the single point of access for all of our services to seniors. It will enable us to coordinate all senior services – nursing home care, community care, pharmaceutical assistance for the aged and disabled, senior gold, utility lifeline. In one place. With a coordinated, holistic approach.

For those seniors on Medicaid, here too we are going to place the emphasis on care in the community instead of institutions. This is not only more cost-effective, it will provide more dignity and happiness to our senior citizens – who, in most cases, would, of course, prefer to live in their own homes and in their own communities.

For our treasured veterans, we need to continue to develop innovative ways to serve the neediest of these citizens in New Jersey. In this budget, one innovation has led to an opportunity for our veterans.

Our successful veterans haven program provides a great place for homeless veterans. After being evaluated at a VA hospital, veterans can join a long-term program focused on social and vocational rehabilitation. The program works.

The startup funding I propose will be used to launch a new effort to use the former Hagedorn Psychiatric Hospital to give access to veterans in the northern part of the state to this highly effective program. Hagedorn Psychiatric Hospital will now be the location for Veterans Haven North.

For all New Jersey families with health care needs, the budget provides significant support for hospitals in New Jersey – a total of \$986 million. We must recognize that our hospitals, like those all across America, face the challenge of providing care to both the insured and the un-insured.

One final initiative I would like to call to your attention: in my State of the State, I proposed to you that, for drug offenders who have not committed a violent crime, we require of them mandatory treatment instead of mandatory prison.

I was clear that under this Administration "no life is disposable." Next week, keeping with that promise, I will announce the specifics of my drug treatment program for non-violent offenders.

To underscore my commitment to this cause, I have included an additional \$2.5 million in this budget to establish a mandatory drug court for nonviolent offenders in all 21 New Jersey counties. This will begin to give us the resources to place these individuals in treatment through the Division of Mental Health and Addiction Services – to make this program a reality. It is the first step toward reclaiming these lives and treating drug addiction for what it really is – a disease that can be conquered, but only with effective treatment.

Let me make one last note. All of the reorganizations I have discussed. All of the enhanced programs for our most vulnerable, all of that will be accomplished in an executive branch budget that increases only 1.7% over last year. We are making government smarter and more efficient for our people while at the same time not raising their taxes to pay for it.

We also have avoided overly optimistic assumptions about revenue. These will only get us in trouble in the future. And we have held the line on spending. We remain below Fiscal Year 2008 levels. Understand what I just said, we are spending less in this budget than we did in 2008. We are maintaining fiscal discipline by cutting wasteful spending which allows us to fund our priorities.

We can fund key priorities, care for our most vulnerable, educate our youth, reduce taxes to encourage job growth and give all of our citizens much needed tax relief.

Today, I ask this chamber a simple question. Why not cut income taxes for all New Jerseyans when our fiscal house is now in order?

* Why not cut income taxes when we are increasing K-12 education spending for the second year in a row, providing the largest state appropriation for education in New Jersey history at \$8.8 billion;

* Why not cut income taxes when we are increasing funding for higher education by over \$100 million;

* Why not cut income taxes when we are providing more than \$390 million in funding for student aid – the highest funding level in state history;

* Why not cut income taxes when we are making the largest pension contribution in history at \$1.1 billion;

* Why not cut income taxes when we are providing for our most vulnerable.

We have done the hard work to get to where we are today—to fund what matters while at the same time finally providing long overdue tax relief.

So, to the naysayers, I say this. We have been down the road of high taxation. It didn't work. The result was high unemployment, high taxes and low growth. The result was families leaving New Jersey.

The old way was a dead end for New Jersey. High taxes and excessive spending left us stranded in a world of declining growth, declining prospects and a diminished ability to compete as a state.

We have left the dark times of lost jobs worsened by overtaxing, overspending and overborrowing. Please be clear on this point – we will not return to the path of higher taxes under any circumstances. Not on my watch. To do so would risk stopping the New Jersey Comeback in its tracks.

In these last two years, we have consciously chosen to turn our state around. We have chosen a better direction. We have chosen job growth. We have chosen fiscal discipline. We have chosen to compete.

And without the state and federal government making it more difficult, make no mistake; the people of New Jersey can compete with anyone.

The New Jersey Comeback has begun. Let us continue the course.

Let us continue to be the example for the nation in getting our fiscal house in order, in addressing long-term pension problems, in fixing our schools and in becoming a haven and home for job growth.

We have it within our power to make New Jersey, once again, the economic engine of our region. To be a national leader in fiscal discipline. To be the trendsetter for an America that wants to honestly confront our challenges. To be in the vanguard of bi-partisan government that puts our people ahead of partisanship. To take our New Jersey strength and use it to put our people back to work. Most importantly, to fight the fights worth fighting. For our children's education. For the needs of our most vulnerable. For fiscal sanity that restores New Jersey's economic future. For a state that wakes up every day to the sun rising over a place we are proud, very proud to call home.

That is my fight as your governor. Let's make it our fight—together. And let's start again today.

Thank you, God bless you, God bless America and God bless the great state of New Jersey.