OFFICE OF THE GOVERNOR
NEWS RELEASE

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GOVERNOR SIGNS AUSTERE BUDGET; HISTORIC "RAINY DAY FUND" INTO LAW

Governor Jim Florio today signed into law the state budget for Fiscal 1991 and then travelled to Middlesex County to sign a companion piece of legislation that will set aside money for those "rainy days" when revenues fall short of expectations.

The budget that the Governor signed this morning along with the sales tax, and taxes on tobacco products, alcohol and petroleum products to help fund it, contains no real increase over the budget adopted by the Legislature last year. "It is a harsh budget. It is a no growth budget. We cut $2 billion. We cut out jobs and we scaled down programs. It is one that would have been 15 percent higher had I agreed to all the departmental requests. But in fact," said the Governor, "department budgets were cut by an average of 10 percent across the board."

The budget for Fiscal '91 had to incorporate some $700 million of mandated costs for items such as negotiated employee union settlements, Medicaid payments, pension and social security payments for school districts and correctional facility costs to house the growing number of state prisoners.

"We have been forced to look in every corner of this budget for places to cut spending. The Legislative Democrats," said the Governor, "worked with me to make the hard choices. The result is a fair, honest balanced budget. It is one that will maintain the state's AAA bond rating and remain balanced throughout the entire fiscal year. It's a step toward keeping New Jersey a first-rate state."

"But more importantly," said the Governor, in remarks prepared for delivery in Perth Amboy at a bill signing ceremony, "is that we have changed the way we do business in New Jersey." Referring to a proposal made years ago by Senator Larry Weiss, D-Middlesex, the Governor called the creation of the "Rainy Day Fund," "an historic moment for New Jersey."

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"We had some good economic times in New Jersey. The sad thing," he said, "is that we spent every penny we made and then some." A "rainy day" fund, said the Governor will make sure "our state keeps the trust of taxpayers by not wasting their money. And we won't stop there. We'll continue to cut out waste and run a lean, efficient government."

The fund sets aside excess or surplus revenues raised during the course of any fiscal year that may not be used by the Governor or the Legislature. The funds can only be appropriated if an economic downturn creates a budget deficit, as was the case this year.

Reminding the group that the state budget had doubled in the last eight years, he said that Republicans this year had a chance to make some serious cuts, bring down property taxes and expand the Homestead Rebate for middle class homeowners, but they did not. "People are starting to catch on to the fact that the Republicans talk for the middle class, but act for the rich."

In signing the budget bill for Fiscal '91, the Governor incorporated a revenue certification statement asserting that funds were available to support the $12.7 billion budget approved by the Legislature. Additionally, he included comments on three line item vetoes.

*The Governor vetoed language which would have appropriated $1.2 million of seizure, forfeiture or abandonment funds as the local match for Action grants saying that local governments receive their own seizure funds and can use those monies to provide a local match for Action grants.

*The Governor vetoed language which would have required that the Homestead Rebates be paid on or before October 31, 1990. Because of cash flow considerations, the veto allows payments to be made anytime prior to December 31, 1990, as had previously been announced.

*The Governor vetoed language which would have required submission of "budget planning documents" to the Legislature as part of the budget review process. Those documents were described as "internal communications" between the Governor and agency heads and do not represent part of the Governor's formal budget submission to the Legislature. The Legislature will continue to receive all departmental budget requests and spending plans.

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REMARKS PREPARED FOR DELIVERY BY GOVERNOR JIM FLORIO
RAINY DAY FUND BILL SIGNING
PERTH AMBOY, NEW JERSEY
WEDNESDAY, JUNE 27, 1990

THIS IS AN HISTORIC MOMENT FOR NEW JERSEY. IN A FEW MOMENTS I WILL SIGN A LAW THAT KEEPS FAITH WITH THE TAXPAYERS OF NEW JERSEY BY MAKING SURE WE DON'T WASTE THEIR HARD-EARNED DOLLARS.

THE RAINY DAY FUND GETS US OFF THE FINANCIAL ROLLER COASTER. A RIDE THAT HAS LEFT US BREATHLESS, UNABLE TO PLAN FOR OUR FUTURE. A RIDE THAT COMMON SENSE TELL US WE CAN'T CONTINUE.

THE RAINY DAY FUND IS AN IDEA, CHAMPIONED FOR MANY YEARS BY SENATOR LARRY WEISS. LARRY HAS BEEN A MODERN DAY NOAH. BUILD AN ARK, HE SAID. THE SUN WON'T SHINE FOREVER, HE WARNED. NO ONE LISTENED. IF A RAINY DAY EUND HAD BEEN PUT IN PLACE A FEW YEARS AGO WE MIGHT HAVE BEEN SPARED THE TOUGH DECISIONS OF LAST WEEK.

THE FUND SETS ASIDE EXCESS REVENUES. THEY CAN'T BE TOUCHED BY THE GOVERNOR OR THE LEGISLATURE. THEY CAN ONLY BE USED IF AN ECONOMIC DOWNTURN LEADS TO A BUDGET DEFICIT -- AS WAS THE CASE THIS YEAR, WHEN I CAME INTO OFFICE FACING A $600 MILLION BUDGET SHORTFALL.

WE HAD TO MAKE SOME DRASTIC CUTS TO BALANCE THIS YEAR'S BUDGET. CUTS THAT HURT PEOPLE. THAT SHOULDN'T HAVE HAPPENED AND WITH THIS MEASURE IT WON'T.

IT'S MINDBOGGLING TO CONSIDER HOW WE BECAME A FINANCIALLY PRECARIOUS STATE. WE HAD SOME GOOD ECONOMIC TIMES IN NEW JERSEY. THE SAD THING IS WE SPENT EVERY PENNY WE MADE AND THEN SOME. THE STATE GOVERNMENT WAS LIKE A FAMILY THAT BOUGHT A PORSCHE BEFORE PUTTING AWAY FOR THE KIDS' EDUCATION.

WE SPENT MONEY WE SHOULDN'T HAVE; AND THEN SPENT MONEY WE DIDN'T HAVE.

THAT RUNS COUNTER TO VALUES WE ALL SHARE. THOSE VALUES SAY YOU DON'T SPEND WHAT YOU DON'T HAVE, AND YOU ASK PEOPLE TO CONTRIBUTE THEIR FAIR SHARE. NO MORE. NO LESS.

EARLIER TODAY I SIGNED THE BUDGET APPROVED BY THE LEGISLATURE. I'M VERY PROUD OF THAT BUDGET. IT BRINGS UNDER CONTROL THE STATE'S RUNAWAY SPENDING. IT MEETS THE CONSTITUTIONAL MANDATE THAT WE HAVE A BALANCED BUDGET.

THAT BUDGET IS MADE OF A LOT OF TOUGH CHOICES. WE CUT CLOSE TO $2 BILLION. WE CUT OUT JOBS, SCALED DOWN PROGRAMS. EVERYONE WILL FEEL THE PINCH. IT TOOK COURAGE. BUT, FORTUNATELY, DEMOCRATIC LEGISLATORS HAD THE GUTS TO STAND UP FOR MIDDLE CLASS PEOPLE.

THE RESULT: A STATE BUDGET THAT GROWS BY ONLY TWO PERCENT OVER THE BUDGET OF THE PREVIOUS YEAR. THAT GROWTH IS IN MARKED CONTRAST TO A STATE BUDGET THAT DOUBLED DURING THE PREVIOUS EIGHT YEARS.

UNFORTUNATELY, EVEN WITH THOSE CUTS THE BUDGET STILL FELL ONE BILLION DOLLARS SHORT. SO TODAY I ALSO SIGNED A PACKAGE OF REVENUE BILLS. THEY ARE TOUGH MEDICINE WE WOULDN'T HAVE NEEDED HAD WE PLANNED BETTER AND USED COMMON SENSE.

THAT'S WHAT THE RAINY DAY FUND, AN OTHER MEASURES, LIKE THE STATE SPENDING CAP, ARE ALL ABOUT. THEY MAKE SURE OUR STATE KEEPS THE TRUST OF TAXPAYERS BY NOT WASTING THEIR MONEY. AND WE WON'T STOP THERE. WE'LL CONTINUE TO CUT OUT WASTE. LEAN, EFFICIENT GOVERNMENT WILL KEEP OPPORTUNITY ALIVE FOR ALL NEW JERSEYANS AND PREPARE OUR STATE TO MEET THE CHALLENGES OF THE 21ST CENTURY.

THE REPUBLICANS HAD A CHANCE TO JOIN US IN TAKING THE STEPS NECESSARY TO KEEP NEW JERSEY A STATE OF OPPORTUNITY. BUT THEY CHOSE NOT TO.

THEY HAD A CHANCE TO EXPAND THE HOMESTEAD REBATE FOR MIDDLE CLASS PEOPLE. THEY DIDN'T DO IT.

THEY HAD A CHANCE TO BRING DOWN PROPERTY TAXES AND TO MAKE SURE THE CHILDREN OF MIDDLE-CLASS AND OTHER FAMILIES GET A QUALITY EDUCATION THAT DOESN'T DEPEND ON WHERE THEY HAPPEN TO LIVE. BUT THE REPUBLICANS WOULDN'T DO IT.

THEY TRIED TO STOP PROGRESS BECAUSE THEY LIKE THE STATUS QUO. THEY LIKE A SYSTEM WHERE MILLIONAIRES PAY THE SAME TAX RATES AS A FAMILY OF FOUR TRYING TO GET BY ON $50,000 A YEAR. I THINK THAT'S UNFAIR.

PEOPLE ARE STARTING TO CATCH ON TO THE FACT THAT THE REPUBLICANS TALK FOR THE MIDDLE CLASS, BUT ACT FOR THE RICH.

THE REPUBLICANS HAD A CHANCE TO MAKE THE CUTS AND TAKE THE STEPS NEEDED TO MAINTAIN OUR TRIPLE A BOND RATING. A BOND RATING THAT KEEPS INTEREST RATES LOW SO WE CAN BUILD ROADS, SCHOOLS AND A HEALTHY BUSINESS CLIMATE. INSTEAD THEY VOTED TO MORTGAGE OUR FUTURE.

BY GAGGING THEMSELVES AND LOCKING INTO "BUSINESS-AS-USUAL, THE REPUBLICANS SERIOUSLY MISJUDGED THE VAST MAJORITY OF NEW JERSEYANS.

FORTUNATELY THE DEMOCRATS IN THE LEGISLATURE HAD THE COURAGE TO STAND UP FOR OUR FUTURE. PEOPLE LIKE SENATOR WEISS. OR THE BILL'S ASSEMBLY SPONSORS: ASSEMBLYMAN WATSON, WHO AS CO-CHAIRMAN OF THE JOINT APPROPRIATIONS COMMITTEE PLAYED A KEY ROLE IN MAKING NEW JERSEY FISCALLY RESPONSIBLE, AND ASSEMBLYMAN MENENDEZ.

THERE ARE OTHERS HERE AS WELL. SENATE PRESIDENT JOHN LYNCH AND SPEAKER DORIA. OUR HOST, ASSEMBLYMAN AND MAYOR OTLOWSKI. ASSEMBLYMAN MCGREEVEY AND ....

ALL OF THEM DESERVE CREDIT.

SO LET ME SIGN THIS BILL ... AND INVITE THE SPONSORS TO SAY A FEW WORDS.