

Jon S. Corzine Archive (Governor of New Jersey 2006-2010)

Opening Colloquium - May 14, 2018

Eagleton Institute of Politics, New Brunswick, NJ

Panel 2: Crafting and Passing the FY 2007 State Budget

Tom Shea: So this panel, as you see in your program, is on Corzine's first budget as Governor, the 2006 Budget, which, as we all recall, resulted in ultimately in the shutdown of the state government, and subsequently an increase of one cent in the state sales tax. So I want to thank all the members of the panel for being here. Brad Abelow, obviously, was the first State Treasurer. Dave Rousseau and Bill Castner, who you might all know as a Corzine Administration State Treasurer and a Chief Counsel to the Governor in the Corzine Administration, are actually here as the staff representatives of the Senate Democratic Caucus and the Assembly Democratic Caucus in the 2006 budget fight. So even though they were subsequently Corzine Administration officials—

Bill Castner: We were on the Red Sox; we were traded to the Yankees.
<laughter>

Tom Shea: So they're going to give us some perspective from before they crossed over to the right side. <laughter> And then because that budget fight was such a public spectacle, we have Josh Margolin here, as well, who was with the *Star Ledger* at the time—thanks, Josh—who will give us some perspective on how the fight was perceived and played out in the newsrooms and how it was covered by the State House press corps. And then Patti [McGuire], of course, as she just told you, led our negotiations with the State Legislature, which she was very happy to have done! <laughs> And was grateful for the opportunity to serve. <laughter>

Governor Jon Corzine: How many times did you try to resign? Everyday?
<laughter>

Patti McGuire: At like 6:00 a.m. in the morning on the 12th day, yeah. And I think I cursed Bill Castner up and down all the time.

Tom Shea: So just by way of reminder, a little bit of—I feel like I need to apologize to Bill Castner before we even start. <laughs> Because this did become such a big fight, and he was on the other side at the time. But if we're going to be truthful and honest about what happened, then we have to tell it from our perspective. So I think the climate that we were in, as we talked about at the beginning of the last panel was one not only in which there was a perception of a climate in Trenton that wasn't working for the public. And that related, as we talked

about, to a lot of ethical issues, pay-to-play kind of issues, government contracting, those sorts of things. But it also was evident in the State budget. And sort of these recurring fights that were happening over the State budget each year due to a lack of resources to meet the spending needs of the State. And as with the ethics issues during the campaign in 2005, we were very clear about positioning the Governor, or the Senator at the time, as someone who was going to take a brand new approach to budgeting issues in Trenton, obviously playing up his experience as the Chief Executive Officer and Chairman of Goldman Sachs as a credential to point to his ability to do that in Trenton.

So our primary focus on introducing the Budget, and I'll ask Brad [Abelow] in a moment to lay out some of the decision making and the thoughts that went into the initial budget proposal that we presented to the legislature in March. But our broad strokes thinking was that we were going to present a budget that matched recurring revenues with recurring expenses rather than using one time only revenues or gimmicks—rather than using, say, lawsuit settlement funds, or raiding independent agencies and some excess funds that they may have lying around, which was money that might help fill the budget gap in that particular year, but wouldn't be available in the next year in the same way. And so we were very focused on introducing a budget that matched recurring revenues with recurring expenses.

In order to do that, in our view, we needed to raise the sales tax by a penny, which raised about 1.1 billion dollars of what was a 4.5 billion dollar shortfall in, I think, was probably about a 30 billion dollar budget in that particular year. I think it grew to 32 or 33 later in the Administration, but I think that year it was about 30 billion dollars. So that was our primary focus. We felt very strongly about the budget as a demonstration of the things we promised the people of New Jersey Jon Corzine would do as Governor. We felt very strongly about it. And so I will say that I think there probably were two things at play. First on the merits, we thought this was the right way to approach the State Budget and we felt very strongly about that. We felt it was different than what had been done before. We felt very strongly about doing something that was different than what had been done before. I think that was our primary focus, that we were going to pass a budget that we thought was fiscally honest. But it would be dishonest of me to not say that there also was a political subtext of that, which I would say was secondary, which is as a new freshman Governor who had come in from out of town that, you know, if you get pushed around by the legislature the first time you have a fight with them, then you're going to get pushed around by the legislature every time you have a fight with them. And so I think that was a little bit of the backdrop. I think primarily we were very focused on the integrity of the Budget, and the process that we went through, and the proposal that we made. But to ignore the political subtext would be, I think, intellectually dishonest. So that, I think, is sort of the framework of where we started or where we were coming at it from. And I think I'll ask Brad to talk about the initial proposal that we offered in March, and once we do that, I think this conversation is—there's so much territory to cover in this conversation that I think it will flow pretty freely, but if we could start with what the initial proposal was.

Bradley Abelow: I think we should keep the background to a minimum. Tom has actually covered a lot of it. I think that one of the further complexities that we faced was the expectation was the Governor with his background, to some extent, me and some of our other advisors would have magic, you know, that would help us to get out of this <laughter> problem without pain. And of course, the reality is you spend what you spend, and that's what you can cut from, and every dollar that's spent is important to someone. And the ways that you can raise additional revenue are also kind of known and limited and they, by the way, have their own pain associated with all of them. And so the principles that I think came up earlier that the Governor talked about were what was reflected in the budget, and Tom talked about being, you know, trying to match—this idea of matching recurring expenses with recurring revenues. Not borrowing money to cover the current expenses. And trying to be as efficient as we could. That's really hard to figure out, by the way, in like 30 or 60 days. And all of your friends in the Cabinet, some of whom are sitting here today, not so friendly when you're asking them for ideas as to how they could spend less money. <laughter> That's not what anyone came to Trenton to do. It's to do things that matter in people's lives. So that budget—also we did everything we could as we tried to at least demonstrate that we could reduce spending in some areas to do that in a way that it protected New Jersey's most vulnerable and allowed a progressive agenda to move forward. That needle is really hard to thread.

I would say we also spent time trying to talk to the public about what was in the budget. I think it's not well-understood. I came to think of it as just a giant recycling machine that the State takes in 30 billion dollars of revenue and most of that goes right back out to municipalities in the forms of grants and to support education. So when you talk about cutting, you're kind of chasing your own tail. And I think that was not well-understood. The governor engaged in a series of Town Hall Meetings. He dragged me along to a number of them. I remember it well sitting on bar stools trying to explain this, and the governor's idea of a Town Hall was not typical, I think, of most governors. So that meant no selected audience. No pre-arranged questions. Everyone can come, ask whatever you want. My favorite was—and I should probably stop with this—sitting for like an hour-and-a-half on this stool next to [the governor] answering questions. He finally looked at me. He's cursing at me. "You got to say something!" "Well, I don't think they came to ask me questions." So I finally answered a question, and he got up and said, "What Brad meant was—" <laughter> And I do think, though, that plays into the rest of our conversation. Most of you know the governor pretty well. He actually understood the Budget in an extraordinary level of detail. And I think that was something that was unfamiliar in Trenton, and affected all of us who worked with him, and everyone down the hall as went through the process. So, I'll stop there, Tom.

Governor Jon Corzine: Can I make a—

Bradley Abelow: See? <laughter> Some things never change!

Governor Jon Corzine: What Brad meant to say.... <laughter> I think, actually, if we're intellectually honest, though, we wanted to have recurring revenues match recurring expenditures. We weren't perfect at getting there. And I don't want

anybody to think we're holier than thou, that we never, ever didn't tap into funds that we found. And as the season went on, as we got into 2008/2009, we had absolutely no choice. There were no recurring revenues. They were gone. And so this was a tough process. That's why it was so important to actually have revenues come in at the start of this thing, because you had no chance of moving into a situation where we should be recurring revenues, recurring efforts. That was the theme. But I don't want anybody to—on film or otherwise—to think that we knew that we were being perfect about that. There was some carving of the edges, because we had to! We couldn't get everything done that we needed to be doing, first bite.

Audience Member: Is that what you meant to say, Brad?

Bradley Abelow: <laughter> Exactly!

Tom Shea: So you know, I think, at the time—again, for context, right? There had been, in the previous year, a budget fight between the Democrats in the Senate and [Richard] Codey, who was both Acting Governor and Senate President at the time, and the Democrats in the Assembly. And so there was additional political tension within the Democratic Party between the two Houses of the legislature. And I'd like to ask David [Rousseau] and Bill [Castner] to talk a little bit about the dynamics between the two Houses of the legislature at the time, one. And then two, the initial reception of the governor's proposal in March. The actual proposal, you know, the budget proposal itself, and the ultimate shutdown or the budget deadline—there was about 100 days or more between when we proposed the budget and the June 30th budget deadline. So we can talk through a little bit about how things changed as we went through that time period. But I'm curious if you guys could talk a little bit about both the relationship between the two Houses, and then how the initial budget proposal was received in the legislature.

David Rousseau: I had the distinct pleasure of being—Bill and I both had the distinct pleasure of being in the front lines of both of those battles. And in 2005—and I think this was what led to Dick Codey being more aligned with the governor than [Assembly Speaker] Joe Roberts at the time—is Dick Codey went through that same thought process in 2005 in the Budget, about whether to cut rebates or raise the sales tax. Dick Codey ultimately went with cutting rebates, because he actually thought that was the harder political move and that he would fall on the sword for that and then leave the sales tax for the future. Little did we know that the Assembly, who was running for that year, because the Assembly wasn't, the rebate issue was a big issue. And then also, little did we know that a gubernatorial campaign that we thought we were helping would join in the sidelines and say, "Oh, no, you shouldn't cut rebates!" You know, and that was a little bit of the miscalculation there. And so I think that that led to when—you know, and now basically what it came down to that year in 2005, I think it was just cutting rebates or not cutting rebates. Look, I mean, the other dynamic here, and it's the elephant in the room right now in New Jersey politics, is as every year went down the road, this North/South split became bigger and bigger. When [Governor] Jim McGreevey had to deal with it, it was not what it was when Dick Codey had it. And then it was

not what [Governor] Jon Corzine had to deal with, and it's not what [Governor] Phil Murphy has to deal with right now. But we got through that. That was actually sometimes a lot nastier, personally, than what 2006 was.

But I think what shaped the Senate reaction to the budget was Dick Codey being governor and understanding more about what the budget really was. And no offense to the Speaker and to the Assembly side and to other senators, having sat there to make those decisions. And actually truthfully, it wasn't until Dick became governor that he actually focused on the budget. His whole career was on healthcare issues, and even when he was Senate President, he left the budget up to Bernie Kenney and others. But once he became governor, he realized what the budget really was, and what it meant. So I think Dick understood the dynamic of—that we needed some recurring revenue. There were some early tremors with some of what he viewed and I viewed as some cheap shots coming from the incoming Administration on what Dick had done. But I think that Dick understood it, eventually. I think having a former deputy treasurer who put four budgets together with him; he understood what it was. Having someone who's dear to a lot of us, who also is no longer here: having Kathy Crotty there was a tremendous asset. And somehow—I don't know how we did it. Somehow he kept the entire Senate aligned. Where even though the South Jersey guys and the Assembly was being driven—that the Wayne Bryants of the world, the Steve Sweeneys of the world never switched over. I mean, we know Wayne Bryant—it was made clear to him. You want money for—remember, it's the Governor's Office that decides how much money goes to Camden, not the legislative leaders. And Wayne, for all his other faults, Wayne understood things like that.

So we were able to keep the entire Senate unified. So we didn't have that internal split that we had to worry about. And then as we moved forward, it's probably about this time 12 years ago when I basically became a wholly-owned subsidiary—because of the relationship between Governor Corzine and Dick Codey—a wholly-subsidary of the Administration, and was working for a—. I do this when I talk to Civics classes, and they, I think, don't ever believe—I was actually working for both branches of government at the same time. <laughter> And I think that dynamic led to how the sides were picked on this. And the other dynamic, I think, that was very important, and it's actually something that you can play a lot of things going on back then to today. The other thing that was very important in this whole structure was that Joe Cryan was able to keep enough people. And I think, what did you have—you only had a majority of like 44/40? 42/43 maybe even, right? It wasn't today's majority.

Bill Castner: It was about 48.

David Rousseau: It was 48. Okay, so Joe was able to keep enough people aligned with him—the Assembly could never force something down the Senate's throat. And I think that that shaped the dynamic of where we were. I'll let Bill talk more about that dynamic before we later go back to more about how we ended up coming to a deal and everything at the end.

Bill Castner: First of all, thank you for not booing me. I appreciate that very much.

<laughter>

I think I agree with how Tom posed the question, and what Dave was saying. I think the Corzine Administration was inheriting a pretty adversarial climate to begin with, through no fault of the Administration. I think the previous year, as Josh reported, almost ended up in a State shutdown. You had North/South politics. You had policy debate over the importance of property tax rebates. Assembly had a chip on its shoulder that the Senate wouldn't do a Constitutional Convention on property taxes. The Assembly felt surprised at the Budget Address the year before. So you have a little bit of that backdrop. And then the Assembly reaction was, "Holy cow! Wait a minute. The Governor has three or four years to recover from this. We have primaries next June. The Administration is playing poker with our money, politically. Some of us were around for Governor Florio when Democrats were sent to Siberia for over a decade, Watergate-type majorities for Republicans." That was over the sales tax that was increased, and then repealed. You had paid professional pollsters coming in briefing the Assembly caucus saying, "This is horrible! You can't—you guys are barely keeping a finger in the dike of the McGreevey tax increases, and now you're going to have an identifiable sales tax increase? You guys have to fight this at every turn." And then you had policy concerns as well. To some degree that sales tax is regressive. That was certainly not an overriding concern. Sales tax being dedicated to the general fund. You heard a lot of chirping on that. This money's just going to be pissed away. We'll never see it again. We have a chance—if we're going to put our necks out and raise the sales tax, we should make sure it's for something like property taxes. So you kind of had a disgruntled Assembly to begin with. An Assembly that felt like it was going to be the guinea pigs when it came to the accountability of raising the sales tax. And then ultimately—I would argue—a policy concern about dedication of the revenue.

Tom Shea: Patti?

Patti McGuire: I think what we forgot to talk about was the fact that there were subpoenas, there was Tom Kean—Senator Kean—and the Republicans on the Christmas Tree list. So if we start when we walk through the door and Brad Abelow was establishing the budget the first year, if everyone recalls—and Josh [Margolin], you're going to recall because you wrote the stories—we took out a lot of items in the budget, and those items were perceived as Christmas Tree lists. And then Chris Christie made lots of noise about it to the fact that during the budget time for us toward the end in June, we all got subpoenaed. I got subpoenaed more than once. They thought I was—probably two or three times. The governor got subpoenaed, Stu Rabner, Brad Abelow. So all of this is also going on. You have legislators who are like, "Okay, you guys introduce the budget,"—very similar to what's happening now. "All of the things are outside that we put in." And we've got Chris Christie saying that these are "gift items," quote/unquote—or I don't know if that's the real word he used. And all of a sudden, we have legislators who are on their heels, not liking our budget to begin with, and then as we begin the process and as we go

forward, we then come up to the fact of two other Houses, Assembly and Senate, having their own difficulties. And I bring this out, because I think people forget that that occurred. And that for us, you know, I didn't really like the fact that I was subpoenaed by a U.S. Attorney, and I've got to sit and go through a whole bunch of lists and go through everything. So I really wasn't liking a whole lot of people <laughter> at all in the Legislative Branch. And Tom Kean and Tom Neff and everybody decided that I was going to be one of their favorite players in this. So that started for me in being able to sort of watch everybody.

I will say something, and I want to really be on record about this. Jon Corzine is not this person who wasn't accessible and didn't have conversations with people about legislation and about policy. First of all, I personally I had an open-door policy. Any legislator at any time could walk into the Statehouse and find their way to my office. And they did. Okay? Number 1. Number 2 is if the Governor was in that building, and a legislator was in my office, the Governor saw them. So as much as I love the legislature, and I really do, there's a 50/50 line here. You want to say that maybe we didn't always communicate, whether I didn't communicate correctly, or the Governor didn't communicate, but I will not accept, and do not accept the concept that Jon Corzine was not a Governor who understood legislation, politics and wasn't accessible, because that's not true. And I will say this to you, Bill Castner—Bill is a friend, and after the budget we ended up doing some great stuff together on housing and other things.

Bill Castner: However...

<laughter>

Patti McGuire: However. Did you ever know, did you ever think that we had a compromise going with the Republicans? Because the way we stopped this whole budget situation was the Republicans who stayed with us in the Assembly Budget. Joe Cryan and Bill Payne [both Democrats] were with us—which Bill, you knew—but I don't think you knew that I had [four] Republicans. And that was [Francis] Blee, [Joseph] Malone, Alison McHoze, and [Kevin] O'Toole. So I had four of them. So I don't know if you ever knew that I had that. I don't think they—the reporters—knew it. But those guys camped out in my office. And we crafted, with everyone's approval, a strategy never to vote for the Assembly budget. And part of doing that was to stop the process. The longer we did this, the greater our impact was going to be. Which I think happened.

Tom Shea: Yeah, I think, as I said, we introduced the original budget proposal in March. And the deadline was the 30th. But it took quite a while for the Assembly to come up with a proposal of their own, ultimately, which was fairly late in the process. And so I think that had something to do with the eventual outcome of the budget fight, because I think it put us in a position of strength relative to the Assembly. But then I also think one of the other determining factors as the fight dragged on, was the fact that the Assembly couldn't produce the votes to put out a budget of their own.

Patti McGuire: Right, and that was—

Tom Shea: So we were always in the position of saying, "We've been very clear about what our priorities are, and what we want to see in a budget." But we were never put in a position to have to veto one, or line item veto one, because the Assembly didn't have the votes to produce that. And a lot of that is due to the work that Patti was talking about that was being done, both by Joe Cryan, and then by some of the Republicans as well in the Assembly.

David Rousseau: Yeah, and I would add, the dynamic may have been completely different if they had sent a budget to the Senate.

Tom Shea: Sure, sure.

David Rousseau: And then the pressure's on Dick Codey to be the one, that, "Okay, you're the one now shutting down government," that that dynamic may have been different. But you know, history shows that we were successful with both the Republicans—and understanding that it was better to be friends with the Governor's Office than a Speaker's Office in the long-term. And Joe Cryan, keeping that core group, having to use the Treasurer, using people in the Administration for his staff work, and having to use me in the Senate Democratic Office as doing his staff work. Having to use the Senate Parliamentarian for things, rather than the Assembly Parliamentarian. But I think history may have been different if they had had the votes to force it down—to send an actual bill to the Senate, not just have a printout out there of a bill.

Tom Shea: Right.

Patti McGuire: Right, I agree with that.

Josh Margolin: And you benefited from the fact that Dick Codey was willing to dislike Joe Roberts more than he disliked Jon Corzine at the time. <laughter>

Governor Jon Corzine: That's George Norcross. <laughter>

Tom Shea: I was going to say, I don't know how you guys managed to do that, Bill. But that was virtually impossible. <laughter>

David Rousseau: Knowing the play, I think it was more like Josh said. I'm not sure it was a personal animosity between Dick and Joe, it was someone—it was another figure.

Josh Margolin: No, right, exactly, but people forget that Dick Codey served, and is still serving, unless something happened today, in the legislature. He's a remarkable operator in the State House, and he—you had him on your team, you had Wayne Bryant on your team, and you had Bill Gormley on your team. And Patti, those are three key players who were able to keep the Assembly from sending you a bill that you couldn't endorse in any way.

Patti McGuire: Well, right, it had to get—they didn't have the votes to get it out of the Assembly. I mean, that was—the bill could go nowhere because we kept jamming it. If you go back and you look at all the committee meetings that would stop and go and stop and go, for hours upon hours upon time, they never could get the votes. I mean, Bill and Speaker Roberts, just couldn't get the votes required to get that bill out. And I think that, for us, was the biggest piece to it. Gormley, clearly, his involvement was—

Josh Margolin: And Codey had kept Essex [County] on your team.

Patti McGuire: Yes. And, of course, we kept Hudson [County].

<laughter>

Just remember that.

Tom Shea: Right.

Bill Castner: Well, first of all, Ruth [Mandel], I need to come back for the Chris Christie panel to talk about the shutdown I won last year. That's only fair.

<laughter>

But I think beyond what you're discussing, I think the governor had the upper hand in terms of earned media and the idea of a enough of Trenton budget gimmickry, and we're going to get rid of these one-shots, and kick the can, was a phrase the governor used repeatedly, and quite successfully, in my view. And so there was, I think, just an overall mood that Trenton is broken, and who in their right mind would want to raise the sales tax unless it was completely necessary. I thought—d I said this to Tom when we talked over the weekend. What I found most interesting was Quinnipiac [University] did a poll about the necessity of the sales tax two weeks before the shutdown. And roughly two-thirds of registered voters said the increase was not necessary. Two weeks after the shutdown, it was a complete reversal. So although not by design, it's very, very interesting in that the shutdown created the pubic crisis that ended up providing the legislators who felt like they had no cover whatsoever in voting for a sales tax increase that they actually got it passed. So I thought that was an important takeaway.

Tom Shea: I mean, we could do a whole day panel on just the theatrics of the budget shutdown, right? So the Assembly finally produced a proposal late in June, probably right near the deadline, as I recall, which we then responded to by casting as more of the same, right? One-shots, gimmicks, borrowing, revenue estimates that were a little too rosy in our view. And that's where the ultimate stalemate actually happened, right? Because now you have—you don't have a bill, but you at least have a proposal, which we dismissed and discounted. We have an actual budget draft that you guys have dismissed, and say is “dead on arrival,” right, as Joe said during the fight. And then we get to the point where the shutdown happens. And that's, I think, where things get really interesting. So I'm curious,

Josh, too, about your perspective on from that point on. First of all, I don't think you guys [the press] thought that we were actually going to do that.

Josh Margolin: Right, so the rule among the reporters always was, "everybody threatens a shutdown. Everybody does all sorts of theatrics associated with them." McGreevey at one point even polled on whether or not he could paint the Republicans as being blamed for a shutdown, if he were to go ahead with a shutdown during his Administration. So we just viewed it as noise. And then all of a sudden the last week [of June] comes, gets really, really hot in the State House. This time, actually the Delaware [River] was rising and about to flood out the State House. <laughter> So it was particularly Biblical this time. <laughter> And maybe that was an important omen, I guess, in retrospect. But the heat rises, literally and figuratively. Bill Gormley always decides he needs certain things for Atlantic County and he starts giving lists to people. Blind quotes get planted in various stories. And it still doesn't have the feeling of reality at all, because there's always a deal at the 11th hour. With McGreevey we had to go to two o'clock in the morning or something. But it's always going to happen. Then Governor Corzine, you decided to wheel the cot into the office. That was a good picture. <laughter>

Josh Margolin: There was some discussion about whether or not the governor was going to change his underwear. I don't know how that wound up in the *Star Ledger* <laughter>. But where he had only one suit. But an interesting moment for us happened, and I hope I'm not revealing—well, I'm revealing something, so I hope you don't mind.

Governor Jon Corzine: You've revealed a lot of things. I've given up on that.

<laughter>

Josh Margolin: By comparison, you won't mind this one.

Tom Shea: You forget, Josh, we ultimately hired all of your colleagues at the time, so we heard. <laughter>

Josh Margolin: So I had a conversation the Saturday before the deadline, with the governor and with Tom, where it actually for the first time dawned on me that I was going to experience a government shutdown. This was actually real. This was going to happen. And it didn't seem like you knew exactly how it would play out, but you knew that you were going to do it, because you felt that the impasse was unbreakable at that point. So the *Star Ledger's* coverage, I think, if you look at the tone of the news pages, you will find that there was a distinct difference in the coverage going into that final week. A lot more gravity to it. And then as it occurred, you know, we're talking about these late night Assembly committee meetings. We didn't know, at least I personally didn't know, how the sides were lining up. There was a point during that violent—near-violent—meeting in the Assembly Budget Committee where we actually thought that the Assembly had the upper hand. We didn't know the game or the strategy that you had manipulated and created and how it was going to play out until I was back in the newsroom, and

I think, Joe [Donohue], who's here, and some other colleagues of mine were in the Committee Hearing Room, and it played out, and then you texted or emailed me saying, "How do you like them apples?" But, you know, we had no real idea that it was going to play out the way that it was. But I do want to point out in terms of just the theatrics of that period, I found a great clip as I was trying to plan for this last night. So this is from the July 5th papers. This is the old days, the story was actually written July 4th, it was not written just 12 seconds before it was posted. And so the story, it was actually a great color piece, but around Page 6, so there's an editor I'm going to have to talk to later. "The New Jersey Legislature is no place for sissies these days. Profanity erupts on the Assembly floor, a wrong look gets you a dirty look. A stray remark gets you one back, 'bub!' And watch out for ricocheting wads of paper. 'We have chaos,' Assemblyman Bill Baroni said." So that was New Jersey government at its finest. <laughter>

Tom Shea: I also think it's worth noting that the tone and tenor of the negotiations were really different pre-shutdown and post-shutdown. Much more contentious, much more difficult after the shutdown. I still can remember a look on Bill's face in one particular negotiation at the conference table in the Governor's Office. And we had essentially—I think it was probably when we had rejected your most recent proposal, and we were having a brief sort of political conversation, and I just remember this look on Bill's face as we let the meeting break without any agreement, and he looked at me with this look that was equal parts exasperation and terror and just complete disbelief that this is what was happening.

Bill Castner: I think that's how I always look, though.

<laughter>

Josh Margolin: There was one other subtext that was sort of—or subplot that was omitted, and it was that the legislature was testing Governor Corzine.

Tom Shea: Absolutely.

Josh Margolin: Because he was a new governor and that's always the way it has to go. But remember, Joe Roberts was a new Speaker, and so he felt a performance anxiety among his own caucus. Now Codey, again, has the upper hand, because he's already been Governor, he's been Senate President for God knows how long. He doesn't have any of these performance issues right there and he's got a much more—you know, the Senate still is a little bit—the longer terms, the different cycle.

Tom Shea: His caucus is more manageable, yeah.

Josh Margolin: It's more manageable, it's a smaller caucus, and he was a master of the rules of his House in a way that nobody else really was. So Roberts actually had a lot to prove. So every one of those meetings, when he's not getting somewhere, he probably—I mean, it seemed like he psychologically felt he was losing ground.

Tom Shea: Yeah. But this just had to be a field day for you guys, right? Because you start off with the chairman of the Assembly Budget Committee calling Brad to testify, who refuses to come testify.

Josh Margolin: He sent the trooper for him. <laughter>

Tom Shea: Sending the troopers and the Assembly Sergeant at Arms to drag Brad to the committee. Which ultimately didn't happen. And then—although Brad did go to testify, actually, the next night.

Bradley Abelow: Yeah.

Tom Shea: And acquitted himself quite well, I think, and I would say that [Budget Committee Chair] Lou [Greenwald] was actually embarrassed by the exchange, and wound up recessing the committee for a half-an-hour. Or, I shouldn't say that. He said he was recessing for a half-an-hour, and then they never came back. And I remember--

Bradley Abelow: Bill Gormley gave me a LeBron James t-shirt. <laughter> I still have it. I couldn't find it. I was going to bring it today.

Tom Shea: Because I remember—

Josh Margolin: The Administration always knows the budget better, so Corzine and you and Patti and Abelow all knew it better. But that really wasn't necessarily going to be determinative. You know, the sheer knowledge of facts isn't always the most important thing in politics.

<laughter>

And so that wasn't really going to be the issue, but there was also a level—first of all to answer your first question, yes, the governor said earlier that being governor was the best job of his life. The best job of my career of more than 25 years is being a State House reporter in New Jersey during this period in the early 2000s. So and the shutdown was remarkable. It was remarkable for all of the politics and the significance of all of the politics that were going on. But you also, after a day or two, when you felt that it was more real than you had anticipated it was going to be, you started playing politics in a way you hadn't been. So you started talking about running ads, and the governor's bottomless wallet started being discussed.

Tom Shea: Okay, so I was going to say the reason this was such a field guide day for you guys was because of the theatrics. And so the summoning of Brad and the sending of troopers was sort of the beginning of that. But then the governor called the legislature into special session. He brought the cot to the State House. He gave a speech every morning for what, four more mornings or so. So all of that. And then, yes, ultimately I think I called Mike Donelon and said, "Why don't you just show up at the State House, and just make sure lots of people see you?" Because Mike Donelon was the guy who did our TV spots at the time, and we started talking

about running ads against the legislature on the budget. Not publicly, but I do think that was—I think there were a few things during the shutdown that actually were sort of key determining points in what actually happened.

The first was at some point the Assembly Democrats proposed an increase in the income tax on high net worth individuals, which was starting to get some traction until Brad ran the numbers and it showed that the impact of that income tax increase would fall ten percent on the Southern New Jersey counties and 90 percent on the Northern New Jersey counties. And so then any support for that very quickly fell apart <laughter> in the North/South divide, one; two, the ultimate, you know, the casinos were able to fend off closure for a few days while they were in court. But I think the ultimate closure of the casinos and its impact, in particular on the South Jersey legislators, I think, was one of the key factors that ultimately led to an agreement. And then I think on a smaller scale, this idea that we did float, not publicly, but through the media that we were considering running TV ads.

Josh Margolin: Your alter ego, "source close to the Governor." <laughter>

Tom Shea: Oh, that guy.

David Rousseau: Tom, I think what you said about the casinos was a big issue. Remember the Assembly Committee going into Committee thinking they were going to be able to release a bill from Committee and then vote on it.

Tom Shea: To declare casino employees essential employees.

David Rousseau: -- and again, force that to the Senate, where again, Patti through her magic, and others through their magic, kept all the Republicans off of it. There were enough Democrats to stay off it, and I think that that—the next day, I think, is where we came to the ultimate agreement. Where on Senate side, we all knew all along it was going to be a 50/50 split—

Tom Shea: I think they created—the things I just talked about, I think created more pressure points on the Assembly Democrats. Bill, you can correct me if I'm wrong, but—

Bill Castner: I think I disagree a little bit in that towards the end, it was a lot of—it was a shrewd move, you know, the Assembly would say, "This has got to be about property taxes, property taxes," and this idea of dedicating half of the penny towards property taxes really was a checkmate situation.

Tom Shea: Well, I was going to say that.

Bill Castner: But beyond that—

Tom Shea: Ultimately, the Governor's idea was what brought the deal, but I felt like we had created a lot of pressure.

Bill Castner: I think that's fair to say. Don't discount battle fatigue. As someone who was in that caucus and saw the body language of legislators, you know, four or five days into a shutdown, people who liked the Governor personally, and supported the Governor personally, like, "What are we—you know, can't we work this out, guys?" You know, it's one thing to have the testosterone and the pollster, and you're going to get killed, and then when you're four or five days into a shutdown, you're hearing about casino workers who may not get a paycheck. It has a sobering effect.

Tom Shea: And then I think the Governor did two things. One of which was the night before, which was an idea that hadn't occurred to anybody before, and the other was a spur of the moment ad lib, I think in the speech the next day. So the first idea was, yeah, this idea of not just of dedicating a half of the revenue from the increase in the sales tax to property tax relief, but it was dedicating that money for the next decade. So not just that year for that budget, but for the next ten years was the idea that he came up with at the end that I think sort of tilted it. And then the next day in his daily speech to the legislature, you know, he called on the legislature to solve this problem *today*. And repeated the word *today* several times. And I think that was playing to the battle fatigue that Bill just alluded to.

Patti McGuire: And I also think that we, during this time period, went and met with quite a few of the legislators. And had conversations with them. And I think Bill, to go to your point, absolutely there are those who really liked Governor Corzine and didn't want to be in this situation, right? And so that helped the cause. I mean, one of the things I want to say is that without, God rest his soul, the late Alex DeCroce, who played a really big role in allowing his members and his relationships with myself, on behalf of the Governor, I mean, he was a real player, as was Joe Malone. Assemblyman Joe Malone was clearly the person who shepherded, helped, worked with me, on this, and I must say that this battle, as bad as it was, helped me create the votes I needed for school formula funding when the Speaker gave too many Democrats a walk. So I'm sorry about closing down a State government, and I feel terrible about it, but that gave me an opportunity to be able to build a real relationship that gave me the votes for school formula funding.

Josh Margolin: Well, to our vantage point watching the movements and at the point of the shutdown, so the press corps how now swelled, because all the New York and Philadelphia media had descended on the shut down New Jersey State House, and we're all following—the red rope was put outside the Governor's Office, we were watching everybody's movements, the governor was using the secret passages to go from office to office. <laughter> But there were certain things that actually started happening. And as I remember—I may be wrong, but as I remember—when the Governor actually left his office to go meet with Roberts in his office, just that small gesture of going to the other side of the building in a way that governors in New Jersey historically don't, because, "Governor of New Jersey; come to me!" And so Governor Corzine got up, the troopers had to run to keep up with him. And he went over there and at this point, everyone was so drained, it was so emotional, and little things made it possible for the logjam to be broken.

Tom Shea: I would say, you know, since this is about the Corzine Administration and the archives and this is not necessarily apropos simply of the budget, but I would say that historically both in his term in the Senate, and in the Governor's Office, is that was the kind of thing that most politicians would care a lot about, that Jon Corzine never cared about. So whereas most politicians would say, "I don't want somebody to see me going out; that will be perceived as weakness," that was just not the kind of thing that would ever occur to him. He would say, "I want to get a deal, and if I need to go to his office to make him feel better to get a deal, I'm going to go do that!" And so I think that was something that you, you know, if we looked at different situations over time, you would find that that happened fairly frequently. Not necessarily in that exact way, but that mentality or that mindset, I think was pretty consistent most of the time.

Bill Castner: Yeah, I agree. I thought that was magnanimous and I think Patti said something important in that I thought it was also magnanimous for the governor and the interest of the State and the party, in the wake of a bloody shutdown, historic shutdown, picking right back up and start out having a special session on property taxes, which led to Matt Boxer's position, the Comptroller; which led to a revised school funding formula; which led to reasonable benefits reform, so I thought that was really an incredible gesture, rather than to kind of harbor ill will, let's get the State back on track on these other policy issues.

Patti McGuire: That's right. Housing. That was the Speaker's biggest issue.

Governor Jon Corzine: I got to interject one thing here. There is one person that—I had a lot of help in this, and I want to go back to one of the things I said right at the start of the afternoon. People make a big difference. Patti McGuire knew how to make this crap work. And this was an education for 'yours truly' to understand all these various connections that we've been talking about. Tom's right. We were less into form and more into substance. But without getting Bill Gormley's help over and over again, actually in the first two years—when he retired, I think, actually was a big, big hole in our Administration going forward, and we lost [Joseph] Malone, because he used to pull him along. And there were a lot of things that Patti really engineered in a way that made a lot of these good things that ultimately go back to what we were talking about on the agenda, actually happen.

Tom Shea: Yeah, I was going to interject the same thing on Gormley, but also, you know, Joe Cryan, we talked a little bit earlier. Joe Cryan, Gormley and Bernie Kenney, too, were all big parts of the administration of the governor—of us—ultimately being successful in this fight, because they all did a lot of work.

Joe Donohue: The Christmas Tree helped, too. It was called the MAC Machine?

Patti McGuire: Remember that? That's, yeah, that's what I'm talking about. One of you knows the story.

David Rousseau: Well, no, the Mac Machine was the McGreevy Administration.

Patti McGuire: Yeah, that's what—we inherited that.

David Rousseau: Yeah, right, but I think what Joe is talking about is that when—which was not the brightest time of the shutdown—was when we spent that night in the conference room spending, spending, spending. And I think I leaned over Brad at one time, I said, "Brad, I think we need two cents on the sales tax now," and we realized it. And the Republicans, remember what happened, the Republicans that night in the Budget Debate, railed on "You shut down government, so you could spend 300 million dollars," and I'm using this word affectionately, "on crap!" You know, some of it was legitimate things. But one legislator would say, "I need money for this town," then somebody else would say, "I need it for this town." And if everybody remembers correctly, the governor heard that, and the next day had to make the decision, and basically made a political decision to cut back a lot of that stuff that had been added the night before.

Tom Shea: Yeah, we did veto a lot of that actually.

David Rousseau: You know, I got the strange call where, remember, at that point in time, I working for Dick Codey. I'm working for the people who put the money in the budget. I get a call from Brad saying, "We need you to come in and help us work on the line item veto to take stuff out that your employer <laughter> just put into the budget." And that was, I think that was something—that was not a glowing day for any of us that at the end of the shutdown that that is what we came out of. But I guess after your veto, we came to a more reasonable place.

Governor Jon Corzine: And we also came to—Brad and I—an agreement that we were doing away with Christmas Trees in all of the other kinds of reforms that were going on. And that basically ended. I mean, it's not, you know, it wasn't perfect. But—

Joe Donohue: The reporters really missed it. <laughter> That was a good story every year.

Governo Jon Corzine: Anyway, I do think that this gave our Administration, the team, confidence to face off on a lot of other things going forward. It's not the way you would like to learn the ways of Trenton, but it was a necessary reality if you were actually going to make serious reforms on moving to the pay as you go as opposed to the normal ways you were doing business. And I think it set up—actually, even though Joe Roberts and I had probably the tensest of moments, I ended up having actually a colleague that I could work with, because we both knew we had to figure out how to back away from this thing in a way that—not back away from the principles—but back away from the tension to be able to get things going. And he ended up being a good partner from that point on.

Bill Castner: It's interesting. I do think there were motivations of some party bosses who wanted to make the Executive Branch a subordinate interest to the Legislative Branch. <laughter> And I don't think that's where—Speaker Roberts

was looking at it from the position of, "I need to protect the interest of my caucus members." Not, "I need to emasculate the executive branch."

Tom Shea: We were somewhat aware of that dynamic. <laughter>

Bill Castner: So I think for that reason—I think that's why it was a successful partnership going forward, and I think it was a great show of leadership. It is interesting, Alan Rosenthal—where's Ruth [Mandel]?—in "Engines of Democracy," he was like the only one who loved what the legislature did, because he said, "This is the legislature trying to stand up," and ig knew it didn't have much of a shot to win, but it stood up institutionally and fought for its prerogative, they never stand up to governors. <laughter> But it ended up being a great show of leadership for the governor. I do think it set the tone for the other future successes.

Patti McGuire: I think Bill Castner won't give himself enough credit. But Bill Castner deserves a whole lot of credit for his relationship during that time but our relationship, at least my three years in the Administration. What most people don't even realize is that every Wednesday the Senate and Assembly and the Governor's Office, legislatively met. Every. Single. Wednesday. In Bill Castner's office. So again, everybody, when people say they didn't know what was going on, I'm not sure how folks didn't always know what was going on, when we were meeting. But I wanted to make sure everybody understood that. Bill Castner, himself, and his relationship should be very much applauded, as David [Rousseau] and as Kathy Crotty, and as we move the pieces on for everything that they did. So I wanted to make sure.

Bill Castner: Thanks, Patti, thank you.

Tom Shea: You know, I think both Bill and the Governor are both right in the sense that as a sheer matter of real politics that not only was it essential for the Governor to win that fight, to be able to govern for the rest of his term. You know, I think had we failed, we wouldn't have gotten any of the things done, or most of them, that happened later on in the Administration without having won that fight. I think not only because it created the relationships that Patti talked about that set the stage for some of those other fights, but it demonstrated to the legislature that this was a Governor who was going to lead, not just the party, but the State. And so I think people were more willing to look at him as the leader after that fight than they might have been before it. And I think that was probably critical to a lot of successes that happened later on in the Administration.

Kris Kolluri: Tom, can I add just one footnote?

Tom Shea: Sure.

Kris Kolluri: Kris Kolluri. The one footnote is during the entire shutdown there were 20 departments that had to function, which I think was no small feat. And that was because the governor insisted that every department function at its highest level through the shutdown. I think that has to be noted through this discussion.

Patti McGuire: That's a really good point.

Bill Castner: That's a good reminder, yeah.

Tom Shea: Are there any other members of the cabinet that want to speak to that, actually?

Steven Goldman: Yeah, I do, Tom. Steve Goldman, right here.

Tom Shea: Hey, Steve.

Steven Goldman: I mean, I remember the preparation that was done. Actually, even before the shutdown came we had meetings in the Governor's Office. Stu Rabner at that time was Counsel to the Governor, and each department sat together with Stu, and with members of the governor's staff going over what our rights were, how we would be funded, how it would work. So the fact that the government continued to function despite the shutdown wasn't by happenstance. It was because there was a lot of preparation that went into that anticipating that there might be a shutdown, and that was, I thought, very well-done and important.

Tom Shea: Yeah, I don't know that it ultimately contributed to the outcome, but I think the exercise that Brad led and went through with the members of the cabinet as well to identify the cuts that would have to happen within each department if the governor's budget didn't pass, I think, had to at least catch the attention of members of the legislature, because of its impact, particularly on municipal aid and school funding, I think.

Bradley Abelow: But I do think since this is an official recorded session that I should share this detail that when we shut the government down, of course, that means you can't pay employees who are furloughed. When I went to the folks in Treasury who had the payroll responsibility, it turned out our system was 40 years old, and didn't have that capability, it was just on/off. <laughter> So actually—

Josh Margolin: So what are you admitting to right now? You paid everybody even though—what's the confession? <laughter> Is there a reporter still working for a newspaper here?

David Rousseau: No, if you remember, there was language added into the budget that allowed us to pay the people who hadn't worked. And that was a contentious piece at the end, one of the last pieces.

Bradley Abelow: But it was good that we did that.

Josh Margolin: So, Tom, one last footnote in terms of the public view of all this. I think it was Bill or Dave who mentioned earlier the polling that came out after the shutdown about the public perception about the sales tax increase. You know, I'm sure that you didn't do this intentionally—shut down the government and up-end everybody's life for it—but the media exposure and the story ended up catapulting the governor to a level of national attention that he had not had to that point. And

actually, I'd love to get your take on it, because there was a sense coming into the budget shutdown, you had a fairly good first few months, but not a great first few months. The Governor was new to this, the legislature was entrenched and testing. You had a couple of stumbles in terms of people. You had a big fight to keep Cryan as the—or make him the Party Chair, which ended up being valuable in the shutdown. But, you know, there were things that were possible now, July 15th, that probably were not possible June 15th.

Tom Shea: I think that's right, but I also think there were, as the governor mentioned at the top, and it might have been at the top of the last panel, you know, we walked into so many problems. The four-and-a-half billion dollar budget deficit was just one of them, right? The State Police were under federal supervision on racial profiling. We were being sued and trying to create the new Department of Child Welfare. The UMDNJ scandal we were dealing with at the time. So there were a lot of things that we were being forced to be necessarily reactive on that wouldn't have been part of our agenda. But I don't disagree with your premise, and obviously, we didn't go into it thinking that way, but I think, I mean, politically I think it was clearly a win for the Governor. Probably in ways that we didn't expect. We expected, you know, we believed that—as I said at the beginning of the panel, we believed that having a fight with the legislature over a budget that looked like the kind of budget Jon Corzine promised the people of New Jersey during the campaign he would pass, we thought that was a fight worth having for him as governor, particularly given his background and the skill set that we brought to the table. Not only did we think it was a fight worth having, we probably thought it was a fight that we had no choice but to have. So that was really our thinking going into it. But I think coming out, for sure, it was politically—it strengthened him politically a lot in the State and it raised his profile nationally, I would agree with that, yeah.

Governo Jon Corzine: It also created a situation with the rating agencies and people who were evaluating our credit in a way that New Jersey had not been able to send a message to investors and others that we were actually serious about dealing with this. So that there were a lot of secondary implications. And while we never got an upgrade while we were in office, although we tried, we never got a downgrade the whole time, and a lot of that was because we had sent the message, not only the legislature, but to other people that we were serious about this goal.

Tom Shea: I think the next guy got a couple of downgrades.

<laughter>

Governor Jon Corzine: That wasn't my point. That's not my point!

Tom Shea: But I think we could end on that note. John [Weingart] looks like he wants to speak. And--

<applause>

Bill Castner: I've just got to ruin this. The governor had an incredible team, to state the obvious, but as I look at this exercise real quick, I think it speaks more to the Governor's strength and his integrity. When I think of Governor Corzine, I don't think necessarily of abolition of capital punishment; or school aid, or paid sick leave; I think of having been his lawyer for a year, albeit fourth-stringer, not like Chief Justice Rabner first-stringer—just the integrity and honesty and strength in leadership, that's how I remember Governor Corzine. It was a privilege to work for him. It really was.

<applause>

John Weingart: I just want to thank all the panelists. And Governor Corzine, do you want to have the last word?

Governor Jon Corzine: First of all, let me go back to where I started. Thank you all for being here. It's both great to see you, and then to revisit some of those things that I think were special moments for us to work together. And there were many more that followed. And you guys did an incredible job in all of our little parts. And you know, hopefully, we get the ability to tell this story to anybody that actually wants to listen—the world goes on, and who cares—but the fact is that there were a lot of really great things that were done, and that's because of the people in this room. And if I'd been a better politician, and listened to Patti on a few other things later down the line, maybe we would have had different outcomes on other things. But I am very, very proud of the people that spoke today, and all of you and for what you do. So thank you!

<applause>