Governor Jon S. Corzine Archive Forum:
Infrastructure, the Economy, and the Great Recession

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PANEL 1: *"Reimagining Infrastructure: Transportation, School Construction, and Asset Monetization"*

Governor Jon Corzine: All of us live with the times that we are given, and sometimes you can control those events and sometimes you can't. We're going to talk about the recession. A lot of that has a lot to do with how the world turns out, and some of the things that we worked on very intensely in the infrastructure world—some good things happened because of the recession. We were able to do more maybe than we would have otherwise because of the Recovery Act. But some of the most important things that we sought to put forward as an agenda to solve or at least address some of the fundamental problems of the state over a long period of time and including today and tomorrow and going forward, on both our transportation corridor state status—which is one of the fundamental assets that we have as a great state—and having the ability to actually finance the things that are important to us, whether it's economic development or infrastructure or educating our kids through school construction—we'll talk about today. This is something that I loved. Most of you who were in the administration know that we spent enormous amounts of time—I was probably a pain in the neck sitting around asking more questions and trying to drive it to what we thought would be a good position to implement good public policy. I just forgot about the politics sometimes.

<laughter>

And I have deep regrets in my own mind about the efficaciousness or lack thereof of being able to sell what I believe—many of you worked on, and I truly believed in, was an opportunity to restructure the finances of this state in a way that would allow us to have that infrastructure in a solid position going forward and a lot of other things. So the discussion we have today comes deeply felt from this former governor, and I am grateful for all the work that so many of you did, and look forward the conversations, both about infrastructure and how we faced off with the Great Recession. Anyway, I'll turn it over.

John Weingart: Thank you. I should have mentioned—I think everyone knows—but this session is being video-recorded, and a video recording of it and a transcript will be made publicly available on the [Center on the American Governor website](). We've had two or three panels as part of each of these sessions as we've gone forward. The first one today, I think, has the longest name of any of those that we've put together, is on "Reimagining Infrastructure, Transportation, School Construction, and Asset Monetization", and Kris Kolluri is going to convene it.

Kris Kolluri: Thank you, John. Governor, thank you for asking us to be part of this panel. I've had the honor of working for this governor in two different jobs. I was the commissioner of transportation, then I was also the CEO of the Schools Development Authority. So in both those capacities, I touched most of what we're about to talk about, but a note of personal gratitude. In modern day politics, decency seems to be lost on people. I've not worked for a more decent man working on decent issues than this governor. So Governor, time may have forgotten it, but we have not. So I want to thank you for the work that you did and that you continue to advocate for.

I want to touch on, today, a host of issues, so we're going to do this perhaps a little bit differently than the other panels. I want Governor Corzine to be a participant in it, not just a listener, because some of the things that we're going to talk about were driven by him in many ways and I think it's important to get that perspective. When you're talking about these kinds of events, I always think about context, and context is what this group is about. We want to, for the sake of history, provide a bit of context on what we were trying to do and why we were trying to do it. I know asset monetization is something that people talk about as sort of the defining issue, but one thing that I want to do is to just quickly recite just five or six things that we talk about today—and I want to bring Tom [Shea] into this conversation. New Jersey Transit is something people talk about today. In fact, there were commercials about it a week ago, about how people want to fix New Jersey Transit. Pension and healthcare benefits are issues that people still want to fix. You talk about roads and infrastructure, people still want to address them. You talk about schools, there's no funding for it. Asset monetization—let's just put it out there for what it was—despite all the stuff that people said about it, the thing that I always remember about asset monetization is that there's only one governor and one person who's looked at the total problem that the state of New Jersey was facing and thought that there was a singular solution to it. So with that, Tom, talk a bit about why, in your view, asset monetization was important, but what was it trying to achieve? And Governor, you can obviously chime in when you want.

Tom Shea: I think, Kris, you alluded to something that's important. For people who are interested in public policy generally, particularly at the state level, I think one of the things as we go through what we're talking about today that stands out to me—and I think it stands out particularly in relation to what we see happening in 2019 in politics—is that one of the overriding characteristics of what we were looking to do, or what Governor Corzine was looking to do, was about addressing things that were long-term structural problems. And I think, particularly in 2019, people have a very short attention span, even shorter than we did in 2007 when we undertook this exercise, and I think people are also more concerned about the instant gratification of decisions. But if you look at things like school construction, infrastructure development—the things that we were talking about through this initiative—they were not only designed to solve some long-standing and recurring structural financial problems within the state budget and within the state, but they were also designed to put New Jersey in a long-term position of economic competitiveness. And so that was one of the overriding things that Governor Corzine always brought to bear on these questions: How are we positioning the state to be competitive in the long term? And in order to be competitive, you need infrastructure; you need to be able to move goods and services; you need to be able to move employees; you need a good educational system that prepares people to be productive members of the workforce. So those were, I think, some of the things that informed the issues that Governor Corzine cared about. In the context of the things we are talking about today, it also was true that the state had these recurring financial problems that could be solved through asset monetization. I think for purposes of the rest of today's conversation, I'm going to take the lesson that we learned the hard way and call it fiscal restructuring, or financial restructuring, rather than asset monetization.

Kris Kolluri: Or what we called Pass Forward.

<laughter>

Kris Kolluri: Governor?

Governor Corzine: We probably could have done a little more focus-grouping on "asset monetization." I'll repeat a little, but it’s very important to understand that the fiscal foundation of the state of New Jersey in 2007 was insecure and deteriorating, and it has not gotten better [since then] because there has not been a fundamental addressing of matching required revenues with the kinds of services that I think the people of New Jersey have asked for over the years. And some of that is because both myself and others who've come along, other than [Governor] Brendan [Byrne], didn't really ask the public to do what is necessary to pay for the things that were being asked for.

Tom Shea: In fairness to you, Governor, you asked. They just said no.

<laughter>

Governor Corzine: I understand. But it is just as needed today. And this proposal had real implications on how we would have been able to deal with our pension system, how we could have dealt with, clearly, the infrastructure, and so I'll let you guys talk about it, but not only was it a problem then, it's only gotten worse as time has gone forward. It's very frustrating as a citizen because we really do have to face up to these things, and at a state level, it's much—we don't print money here. We have to live ultimately within the bounds of what we have, and there are serious days of reckoning. The most obvious is with the pension system, which is, I don't know, 35 percent funded at this stage? Pretty serious future car crash coming for our finances, and somebody's going to have to come up—maybe it won't be this plan—but they're going to have to come up with a plan to deal with the ultimate requirements of fiscal reality.

Kris Kolluri: Nancy [Feldman], I want to sort of dig a little bit. There's a multitude of other infrastructure issues I want to cover, but I wanted to start with this because this is the one that sort of sticks in the collective and I wanted to make sure we correct the record on a couple of things. This idea of establishing a framework for what asset monetization or a fiscal responsibility plan looked like was not something that we took lightly. I know we spent months and months and months. Can you talk a bit about how you and Brad Abelow led the charge on this one? Tell us a bit about how you thought about it and how the framework ultimately came together.

Nancy Feldman: Thanks, Kris. Governor, thanks for having me here today. I look back to when I joined the administration with two main roles—one, manage the existing debt portfolio, and [two] get rid of the debt portfolio. So the same kind of thing.

<laughter>

Right? Part of the way that the governor sort of laid out the framework that he was hoping to achieve, which covers the things that you just said to some extent, which is that it wasn't just about building things, it wasn't just about doing, at the time, a public-private partnership—or what we ended up doing was a public-public partnership, which has been done a number of times since then in slightly different manners. It is now actually referred to as—let's call it what the Australians call it, which is "asset recycling." So the name continues to evolve to some extent. But the framework was to reduce debt, to create a long-term plan for funding transportation debt because we were about to run out—we only had about four years of funding that remained after the adjustments that were made after the governor took office—and to think about those investments long-term. The part of it that was really interesting was trying to go through the process of figuring out what is it that we knew or we could find that would help fund all of these requirements. So we went through looking at what we were trying to achieve—reduce debt, reduce debt service, free up funding for other important things—from pensions to schools to property tax relief, senior services—and also be able to pay—Governor, you mentioned pensions but you didn't mention OPEBs, which is post-retirement benefits, which is another very large number that hadn't been addressed—and try and create an opportunity to manage the two things. And then, oh yes, invest in infrastructure while you were at it. And so we pulled together an enormous team. Brad [Abelow] was sort of the central point of the team and day to day running with our financial advisors, engineers, communications people. A whole host of folks to help us get there. And the framework came together in a Phase 1 report, which identified assets that were on two main levels. We were looking for value and feasibility. We didn't want to find an asset that was really valuable that was going to take us 20 years to get done. We needed to do something that we could put forth to the governor and say, "We can do this in the timeframe in which we're trying to accomplish the goals that you laid out."

Kris Kolluri: Steve [Dilts], I'll get to you on the department stuff in one second, but Tom, the politics of this is very, very important. I think it's unavoidable. The lens through which we looked at it was unfortunately a bit different than perhaps the people on the outside looked at it. Very early on this got framed as an 800 percent toll increase, which I want to get to a factual correction of that in one second, but why don't you just talk a bit about the politics? And Governor, obviously this is something that you should feel free to opine on as well.

Tom Shea: Well, I do think, Kris, you're right, that it was easy to characterize that, but I think there is an underlying challenge or a fundamental challenge for anybody in the public sector to try to tackle problems like this, which is why we thought it was so important to try to inform the electorate. It's that, particularly in New Jersey, which is a very tax-sensitive state, the voters are convinced, and probably everybody—most everybody around this room, and probably even Eagleton—have been involved in polling questions around these types of issues, and voters or citizens seem to be convinced that every problem can be solved if the government just tackles all of the waste, fraud and abuse. So one of the challenges, I think, for policymakers, decision makers, and elected leaders, in attacking these kinds of challenges is that the public believes that the solution is already there and people aren't finding it. And that's a really high hurdle to clear. No matter times you ask them or in whatever different context, voters are convinced that the answer is to find the waste, fraud and abuse. There's not enough waste, fraud and abuse to solve New Jersey's—

<laughter>

—recurring debt problems, much less to fund its long-term infrastructure needs. So that's just a political reality that you have to deal with, and it's one of the reasons why we were convinced that the governor needed to go on the road and try to convince voters that this was the right course of action.

Kris Kolluri: Governor, do you want to say something about that?

Governor Corzine: I think I'll let you guys continue on. The politics of this, at one point, I'd like to speak to, but it's a lot easier after you go through some of the framing. The 800 percent was a bogus number. What has in reality turned out relative to what we were proposing, I think, the public would be surprised if it knew.

Tom Shea: Kris, if I could just say one thing about our motivation and the governor's motivation relative to the campaign for the governorship in 2005 was that we really viewed this initiative, or solving these types of problems, as precisely what Jon Corzine promised the people of New Jersey he would do if they elected him governor. So to continue to do what governors had done previously, which is to find a one-shot gimmick in the budget to pull money from funds that weren't being used in different pots around the government, more borrowing, we really felt that those weren't options for us in budget-making, that Jon Corzine specifically had promised the voters that he would approach these questions differently. And so for us, this was really about being true to those commitments to the voters.

Josh Margolin: And as I recall—sorry, Governor, go ahead.

Governor Corzine: No, no, I was actually going to bring you and Al [Doblin] and a few other folks in. A lot of people don't recognize it, but there are a number of people who served in the press during my tenure, and if I had a dime for every time either Josh or Al or—I don't know whether Joe [Donohue] asked me as often—but, "When the hell are you coming up with this plan that’s going to solve the finances of the state, which you told us you were going to do?" And it was a very fair question, but it also comes back to a thing that I think Nancy alluded to. This was not an uncomplicated process to try to get to something that would actually do what we said we were seeking to accomplish, and make it practical within the context of a marketplace that was going to end up having to buy the debt of a company that was separate from the state with no guarantees from the state, and solve our problems. That took a long time and we were very, very, very careful in the building of this. Brad and Nancy did an extraordinary job of organizing this. I did a lot of criticizing before it came out, but I just hope it is understood how much really basic work went into this and how much demand there was in a political context to actually come up with a plan.

Josh Margolin: I think the context, as Tom and you suggest—I think that the public was prepared for something serious and in-depth to come out, and were anticipating it. I think that that's, as Tom said, a large reason why people turned to you. And the campaign in '05 largely focused on this issue of: Do we do something complicated, or the waste, fraud and abuse thing? Because that's what your opponent was talking about in commercials over and over again. But you also had the political context that you inherited through no fault of your own, where we had seen governors one after another after another talking about, "I have the fix," only to see fixes come and go with money being wasted and thrown out the window. So the income tax was supposed to solve everything. [Governor] Brendan [Byrne] did a great job. He rolled the dice and he ended up doing what he did, but then his successors peddled away that good will and all of that money. Then the casinos. They were supposed to fix Atlantic City. But the public knows the casinos came, they made a lot of money, and they didn't fix Atlantic City. So you had the problem of bad history as your context that you were dealing with, but I do think, on the flipside—and Joe can speak to this better than me—in the public at large, people were eager to hear what you had to say because you were viewed as the only one that could do it if anybody could, given your history on Wall Street.

Joe Donohue: First I have to thank you. Because of this issue, in the days when the Star-Ledger actually sent people to other places, I got dinner in Chicago, drove the entire Indiana toll road—

<laughter>

Governor Corzine: It's nice country out there.

Joe Donohue: —saw Touchdown Jesus and Notre Dame, and then interviewed [Governor] Mitch Daniels for an hour in the Governor's Office about privatization of the toll road in Indiana.

Kris Kolluri: I think the one thing that I want to make sure that we understand—again, to Josh's point on context. The first thing that the governor asked us to do, which was very important for us as the transportation guys, was: What percentage of the drivers on the Turnpike were out-of-staters?

Joe Donohue: Two-thirds.

Kris Kolluri: I got to tell you, for us, that was a significant driver in how this was framed as well. Constitutionally, you couldn't sort of—and Ron [Chen] will tell you this—you couldn't say, "You are from Pennsylvania, therefore you pay a higher number." But as long as it applied equally and proportionately less percentage of

New Jersey population were paying, we perhaps thought that that was a winning argument.

Josh Margolin: It was the first question were going to—every single time you guys mentioned the highway, any of the highways, the first question that Joe or I or my colleagues would ask is, "What are the numbers? Who's driving the road?" A hundred percent. That's a key question.

Kris Kolluri: And we'll set aside the commercial traffic a little bit differently because commercial traffic was all port-related and that got a little bit more complicated. But the second issue is, about ten years have gone by, approximately. One of the things that we last night—Steve and I and Nancy—sort of asked is: Where was the system, from a cost structure, in 2006 and 2007 when we were looking at it? If you look at the toll, a weighted average of the tolls, it was in the bottom third of the entire country, right? If you look at the Parkway—and you guys know better than I do—the Parkway was probably the second lowest toll in the country. So when you weighted those with the Turnpike, and with a hundred percent increase—and if we had done asset monetization as we had planned, we would have had two increases in addition to the one that went into effect under Governor Christie and then one under Governor Corzine. We would still be--

Governor Corzine: But those came in 2018 and 2022.

Kris Kolluri: That's right. You're not even there yet. So even if we bake those numbers in and project out four years out from where we are today, we would still be in the 55th or 60th percentile, maybe a little bit higher. We never got there. Right? We never got there because the "800 percent toll hike."

David Wald: You never got out from under an 800 percent toll hike.

Kris Kolluri: We never did. We never did.

David Wald: Why did that happen? It became gospel, that it was going to go up 800 percent.

Nancy Feldman: The 800 percent was the math of 75 years. It wasn't the math of eight years, or ten years.

David Wald: How come nobody knew that?

Governor Corzine: We told every town hall. We said that. I got black eyes and tomatoes from them.

Josh Margolin: It's the old rule in politics. You don't get to have the discussion just on your own. That was the problem. I'm not being critical. I'm saying that had you been the only voice, you would have clearly won, but that's a what-if with everything. I think it's really hard to disconnect the policy from the politics here, where I think the—first of all, I don't know math well enough at all to criticize the plan. I do know that the way it was getting covered, you were getting killed on the news and the politics of it, and Joe would say in the office, "Man, the plan seems to work, but why is no one buying it?"

Tom Shea: And I want to point out to Josh, one, in response to what you were saying, as a matter of the discussion we're having, but then, two, just an expression of gratitude, is I want to point out—and I should have done this at the top—that Governor Corzine actually wasn't the only voice. In what I think was viewed as a pretty extraordinary move at the time, was that Bob Franks, who had been Governor Corzine's opponent in the 2000 Senate face, volunteered to chair the organization to champion this issue, and I think it would be irresponsible—

Kris Kolluri: At some high personal cost to him.

Tom Shea: —at this end of the table to not express our gratitude to him, who obviously cannot be here with us. [Franks passed away in April 2010.] But it was at some cost to his relationships and reputation on the Republican side of the aisle that in the long-term interests of the state, he elected to join forces with Governor Corzine—his former opponent in the Senate race—to try to help us get this done for the state.

Kris Kolluri: Because it worked on the substance, to your point. The substance was—I mean, if there was one meeting we went till midnight, there were a hundred of those that went to midnight, where the governor wasn't a shy participant in the questioning of those of us who were doing it. At one point I remember Steve and I drove to Hoboken to the governor's apartment with Janice [Fuller]. And we were in his apartment after a particularly vicious town hall meeting. We were there until, I don't know, one thirty, two in the morning, discussing the outflow of funds and to make sure that it was actually fair to every part of the state, including places like Cape May and Salem. And I have to tell you, that was a refreshing—even though it was a tough moment to sort of leave the town hall meeting and go to the apartment to talk about this, even then he wasn't willing to yield on the fact that it had to truly be fair to the entire populace, and that was an important moment for us.

John Weingart: Can I interrupt for a second? I think it would be helpful for people watching this for someone to explain the plan, or briefly summarize what was being proposed.

Kris Kolluri: Nancy, you want to take a shot at this?

Nancy Feldman: Sure.

Josh Margolin: I think this is the original problem statement.

Governor Corzine: Notice how they said, "Keep him away."

<laughter>

Josh Margolin: By the way, Tom still can't explain it.

<laughter>

Kris Kolluri: The governor can do it, but I figured, Nancy, why don't you take it first, and then obviously, Governor, you get the last word.

Nancy Feldman: Well, obviously there's a flow chart on the other side of the room, if you need to see it. One thing that was at the time very—Kris mentioned the Indiana toll road had privatized with a private equity owner, and subsequent to that they have refinanced more than once and taken a lot of money off the table. They did very well.

Governor Corzine: The private.

Nancy Feldman: The private equity investor has done very well. I mean, it did go bankrupt. I will tell you, it did go bankrupt once. But they've done very well in terms of taking equity out of it, and that was something that was part of the principles that the governor put out. There were a significant number of principles about how we were going to proceed, and one was not to let somebody else—an equity investor—take all the money out of New Jersey and have that not be a foreign investor, as well. And so with all the work that we did with our financial advisor and a few lawyers, quite a few lawyers, we come up with a public benefit corporation, which is effectively separate from the state. Their board members do not report to the state. They are not elected or approved by any of the members of the executive or the legislative branch after initially set up, and this public benefit corporation would run our toll roads. And one little thing we probably—I actually forgot until I was refreshing myself here, is that we were going to actually toll a piece of road that had not been tolled before, which is that little piece of 440 that leads off the Turnpike. So it would be the Atlantic City Expressway, the Garden State Parkway, the New Jersey Turnpike, and this little portion of 440 that was going to be tolled in this structure. And in order to fund that—so this was a non-equity entity. This was a corporation that was for the public benefit and could issue debt. The only equity it would have is if it built up equity, and the goal was to use those to issue debt by the public benefit corporation to fund its operation—so the operations of all the roads—invest in all the roads, use the next level of funds to pay for the debt service on the bonds that were issued to pay for the purchase of the roads, which is essentially what that was going to be used for, as well as then invest in all of the transportation infrastructure off the roads themselves—so that would be the Transportation Trust Fund equivalent—for the life of the concession, which was for 75 years, and then that would sort of keep everything within the bucket. The only dollars that flowed out were on day one when they borrowed the money, and they would flow to the state to pay off about half of the state debt, and to make some investments that were already scheduled to be made in transportation.

Governor Corzine: In mass transit.

Nancy Feldman: In mass transit, yes. For the ARC tunnel, right?

Kris Kolluri: Yes. Governor, do you want—?

Governor Corzine: No, go ahead.

Tom Shea: There were two other things that were part of the proposal, not quite on the substance—

Governor Corzine: John [Weingart], did we get this? Did Nancy get it clear enough? By the way, there's this "Save Our State" slideshow that I'll make sure is in the packet.

<laughter>

Tom Shea: There were two other elements of it that I think were intended to make it more salable. One was that while the public benefit corporation had a board, as Nancy mentioned, it also had a citizens' oversight board over the board of the entity itself, one; and then two, the other element of the proposal, which is I think what allowed us to convince Bob Franks to come onboard and to help sell the plan, was that it would also include a cap on the state budget. So the state budget couldn't increase from year to year at that point.

Joe Donohue: And remember, the Chamber of Commerce endorsed it, too. And there were other Republicans on your committee—Bill Gormley, Hazel Gluck. So it had bipartisan support.

Governor Corzine: The politics of this—Rich [Bagger], forgive me, in front of you—but this was an idea that generally was accepted broadly across the country by Republicans, as opposed to Democrats. It actually got me in trouble with my Democratic colleagues, who probably were more vociferous in their protest against this plan than actually the Republicans, although I don't remember anybody other than Bob Franks really getting out front. It was a fiscally responsible program that was designed for economic development. I did a poor job of selling it, but the fact is that I think a lot of the ingredients that addressed the long-term problems were embedded in this, and it was a bipartisan approach, if you took it outside of the Garden State.

Tom Shea: I think ultimately—and I may be misremembering this—but I think actually the legislature was relatively open-minded on some of this, on both sides of the aisle. Obviously there was more opposition among Republicans initially, but I think the legislative opposition that ultimately manifested itself was a function of their reaction to the public reaction. But I think at the beginning, when we initially made the proposal, there was some open-mindedness. There certainly was open-mindedness on the part of—Dick Codey was the Senate president at the time, Joe Roberts was the assembly Speaker—I think they were both open. I think some of the key members of the legislature in both houses were very open to the idea. But I think once they saw the public reaction to the 800 percent, or to the town hall meetings, then they started to walk back their support. But I don't think it started there. They initially were willing to be convinced that this was the right way to go.

Joe Donohue: What I find interesting in retrospect—I was with you at the town halls, so in a lot of ways—

Governor Corzine: Were you in Ocean County?

<laugher and overlapping conversation>

Governor Corzine: Nobody's had a town hall meeting until they have one like that.

Tom Shea: None of us have been back since.

<laughter>

Joe Donohue: Remember the villagers with pitchforks in Frankenstein? No, but what's fascinating about it to me is, I thought you gave an excellent presentation. The dissection of the problem was great. What I found fascinating later—and Rich, check me if I'm wrong on any of this—Chris Christie, Governor Christie, had far more town meetings. He laid out a lot of the same problems. I remember Chris Christie sounding exactly like Governor Corzine at his meetings in terms of the problems. Now, obviously it was a different set of solutions on the pensions and stuff, but I mean, except for—I mean, NJEA did spent 16 million or so on ads attacking Governor Christie—but he didn't have the public reaction—Rich, am I right about that—at his town halls. I mean, they seemed to listen and sort of accept, "We got a problem."

Governor Corzine: One of the things that I will say—and you and I talked about this before our sit-down here and I mentioned it in my opening remarks. Timing has a lot to do with a lot of things, and by 2008, we were slip-sliding, if we hadn't already gone into a recession. I think [Ben] Bernanke had already said that were in the midst of a recession. People were not happy with the state of affairs. Unemployment in New Jersey had gone from four to six, six and a half. I don't know the precise—it depends on which date you're looking at. But it was not a time when people were comfortable with their own finances. If you did it in a period of time when things were more secure, people might have been more open-minded to looking at a long-term economic burden.

That's no excuse for not having a better pushback, but what I am arguing is that I think that the circumstances that led to the Tea Party and the Wall Street rebellion that people felt in that timeframe, I think took hold very quickly in this period in time, just as the luck of the draw, which is part of what politics is about, recognizing what you can do or should be doing, when to take the chance on risk. The timing was a bit of a problem, and if I'm honest with myself, we had hoped to be able to do this in 2007. Somebody ended up in an auto accident and was less than articulate. Maybe I'm less than articulate anyway.

<laughter>

It did slow the process by about six months.

Kris Kolluri: We want to be mindful of the clock as well and that there's a multitude of other issues we want to get to, but let me just buttonhole one issue. We've had many hard meetings. He was always pleasant and polite, but we knew we were walking into a buzz saw—a couple of moments. But after this initiative failed, we remember going to the Governor's Office and still pitching him on a need to do a toll increase before his election—not a 50 percent or a 20 percent increase, but a 100 percent toll increase. Because the turnpike's debt coverage ratios were very, very low and here we were in this very unfortunate position of having to go to the governor a year before he was running for reelection. But I got to tell you, once again, the issue always came to: What is the benefit that the public is going to derive? I just drove the Turnpike from Camden to here today. The Garden State widening would not have happened. The Turnpike widening would not have happened. Seven billion dollars in capital plan that this governor approved would not have happened but for that toll increase. It was a 50 percent and a 50 percent toll increase that happened with a four-year span of time, and we, in that toll increase, set aside for the first time money for the ARC tunnel, which was New Jersey's share of it, and when you step back and look at the magnitude of what that toll increase was—spread out in two tranches—and look at the benefit that the public derived. I don't know whether anybody in this room remembers, on a Friday during the summer the traffic would back up from Exit 10 all the way to 195 to people going down the shore, and the same thing with the Parkway. That hasn't happened since the widening has happened, and I think those kinds of meaningful, impactful, and measurable goals are the things that we worked on together. And let me switch to Steve [Dilts]. The governor talked about—

Governor Corzine: Can I—?

Kris Kolluri: Yes, go ahead.

Governor Corzine: I promise I'll try not to insert. This plan also had in it a request from the legislature, which actually came from—and I worked very closely with—Senator [Leonard] Lance at that point in time, to get a constitutional amendment that said we had to go to the voters for public debt. And that actually passed and I know for Senator Lance it's one of the most important capstones of his career in the state legislature and I'm proud of it, too, because I think you should have to make your case to the public when you want to do the kinds of capital expenditures that we wanted to do and we took on.

The other part I do want to emphasize is that all of the work that went into this, particularly Steve, Kris, and the people in the transportation department, we did the identification of all of the places where legitimately we could spend money. Then we did a prioritization. Then we did a maximization of making sure that we use it in the best places, but we were true to spreading it fairly across the state. We worked at that probably far too long in many ways, but I think we ultimately got a great plan, and the beauty of that was when the [federal] Recovery Act of 2009 came, New Jersey was shovel-ready. We knew where our money needed to go. That Turnpike widening, the Garden State widening, a lot of these things—some of it came from us, but a lot of that was made possible because we had been deeply involved in this process of knowing where we wanted to go with the dough that we raised, and so a lot of that great work is done by the people sitting around this table and not me, but by all of them.

Kris Kolluri: I want to bring two people into this conversation that were very much involved. As the state and the country were going into recession, we knew infrastructure is the one place—investment in infrastructure—is one place where you can perhaps mitigate some of the damage. So Steve, I know you were commissioner when the stimulus program was underway, and Scott [Weiner], I know you preceded me, but you were still very much involved in not only the restructuring of the SCC but also making sure the investment went into the cities in the right way. So let me get to you first and then Scott.

Steve Dilts: Sure, and thank you Kris, and thank you Governor for having me today on this Veteran's Day. Thank you for your service to the United States Marine Corps. Thank you for your service. While the rest of asset monetization—we've covered that ground pretty well here already—was going on, the governor said, "Go solve problems. Let's solve and let's go fix." And we're touching now on the rest of that story. First months of an administration, work with the legislature and craft a five-year funding strategy. Make sure that it's covered. Increase it to 1.6 billion dollars a year. It's federally matched. Have a ten-year plan that's logical and sound. Have performance measures. We had more structurally deficient bridges in the state than ever in its history when you inherited and took office, Governor. We had more pavement that was deemed unacceptable when you took office. Through your leadership and aligning all the great people who worked for the state of New Jersey at that time around things that we could believe in—better bridges and better pavements—and investing in those problems, we made a real difference in those things. And to Kris's point and to your point, we were ready when the economy turned and President Obama took office on January 20, 2009. Within weeks, Congress—we lose sight of this—the U.S. House had passed within weeks, three weeks, a stimulus program of 787 billion dollars. The Senate followed soon after. By March 6 of 2009—January 20 to March 6—March 6, you announced over a billion dollars in investment on the highway in mass transit side to leverage those American Recovery and Reinvestment Act funds—stimulus funds, we called them at the time—and put those things to work. A hundred and 30 million dollars to the ARC tunnel, mindful of the larger picture here: Where are the chokepoints in this state? And you really focused on widening that Turnpike, widen the Parkway, taking advantage of really an incredible environment for low bids, and we were able to do more and more and more with that low-bid environment, and you were a pleasure to work for.

You said in the beginning maybe you were a pain in the neck—absolutely not. You believed with your heart, you led with your heart, as well as your head, and you had asked me, "How many people did we pull off those union benches today? How many people did we help today?" Which really made us think about how we were measuring the work we were doing. And tremendous passion. You said at the beginning you believed in this, and I think that inspired us and put us in a position to leverage every single opportunity that we had in those four years, and today to have that Parkway, to have that Turnpike in the condition that they are in. That ten-year plan paid off. The momentum that you started continued to put our bridges in better condition, pavements in better condition, and really provided a great momentum to the decade to come.

Kris Kolluri: Scott, I know when you took over then the SCC [Schools Construction Corp], it was one of the most challenged organizations in the state. But the governor knew, you certainly knew, how important the SDA [Schools Development Authority] districts were to the educational process of the children of places like Camden and Patterson and other places, but equally important, how important those investments were to make sure the economy continues to churn.

John Weingart: Just to be clear, this is school construction.

Kris Kolluri: That's right, sorry. School construction.

Scott Weiner: So just to set some context, this was an interesting experience that I'm sure the many of the panelists had. All of the sudden my synapses are going back some years. But to paint a picture, for those who may watch the video, during the 2005 election, the tumult at the old Schools Construction Corporation became daily news, and by the time—even before the election, as I recall—a restructuring of the then board was done. Al Copy was brought in to try and lead the board. Some new executives were recruited. And come the transition, I had the privilege of being on your transition team doing logical things like energy and environment and a little bit of law. And I got a call from Dick Leone, who said, "What do you know about school construction?" And I said, "Primarily what I read about in the newspapers," to which he said, "That's good enough."

And I was brought in and had the privilege of working on that committee, and what we discovered was that the underlying problem was a lack of commitment, and a lack of management. Commitment to the communities, a commitment to the children in the communities, which opened up the opportunity for there to be in fact a fair amount of waste and a fair amount of abuse and a little bit of fraud. And as Inauguration Day was coming, the recommendation was made that what was needed was good management. We recommended to you that you didn't have to continue with the School Construction Corporation format. There were lots of ways to meet the constitutional mandate for the state to provide capital funding for these facilities. But the decision was made by you to do it, because it would provide the state with the opportunity, at least in these early stages, to keep its hand on the mechanism and follow through on the commitment of fairness and transparency most of all, giving children an opportunity for an education. The challenge we faced was there had been eight billion dollars appropriated at the beginning of the School Construction Corporation. We were down to next to nothing at the time, and there was an overhang in the Department of Education report that came out in early 2006 of a need for about another 18 to 20 billion dollars of work just to bring schools up to minimum standards, in just those districts. So that was the challenge that we faced.

One of the themes that I want to underscore is "team." This was done by a team of people that you assembled. I want to mention Barry Zubrow, who was the chair of the board, who wasn't just a once-a-month appearance but was working at it every day. Some of you in the room will recall that I had been brought on on a temporary basis. I was at Rutgers at the time. I just wanted to go back to Rutgers and teach energy policy. And I remember I had the thought—God works in mysterious ways—I had the thought one day in March, I said to Barry, "You know, I think we're getting it, and I want to let you know, I want to go back [to Rutgers] in April," and within the week the acting CEO resigned, so. It was a team that included the other agencies, brought together. The Department of Environmental Protection was critical. Your staff in the Governor's Office was critical. The Attorney General's Office was critical. But we took this problem and began to work on a solution, much the same as we talked about here. And as a team we began to think about, "What do we need to do to both rebuild confidence but be able to provide a delivery mechanism so children could get the education in the facilities that they deserve?" That led to a couple initiatives. It led to the initiative of restructuring the entity from the School Construction Corporation to a government authority—so the opposite stream. But here what the conclusion was, we had to rebuild people's confidence and there was a legitimate role for the legislature to play in beginning to have a stake in this entity and for communities to have a stake in this entity, and we were able, after some time, to begin to recruit in the professionals. I remember very distinctly meeting in your office with Barry and we were talking about recruitment, and I made the observation that we had the wrong types of people in the wrong jobs being paid inadequate money, and you gave us the challenge to go out and structure it rationally in a way that could be supported, and we were able to build a team able to deliver on the program. So we changed the structure and we got the legislature to give us another three billion dollars, which carried us on, and would get us at least through 2009-2010, when we knew that there was another financing that we would have to face.

Governor Corzine: If I might, some of governing—I say this to students maybe more than anything else—is not high-profile, sexy stuff. It's go to work every day with competence of what you're about and with an ethos that is representative—knowing that you represent not yourself, not your agency, but the public trust. People like Scott went into an organization that was completely debased in how the public saw it, saw eight billion dollars spent and, I don't know, five schools built or something ridiculous in the short-term, and turned it into five times that much with three billion dollars over a period of time, and some in the most desperate, needy places in the state. Again, it's like the pilot on your airplane you don't say thanks to because they got you up and got you down, you just expect it to happen. But if they don't, the trouble is far more serious. These folks did a remarkable job at turning it around, and frankly I don't really know how it is doing other than what I read in the newspapers now and it seems like maybe some of that slipped.

Scott Weiner: I think it seems to have lost some of its focus.

Kris Kolluri: I think legacies are built not by having names of people on the building but the impact that these investments have on children. I spend my days in Camden and the three schools that Scott and the governor oversaw the construction of educate hundreds of kids in the city of Camden every day, and you have essentially changed the trajectory of a generation of kids. I've never been a big fan of pretty buildings. I've been more obsessed with what happens inside the building, and I think that is the right obsession, and I know there's a next panel that'll focus on some of that stuff. If there are any questions, we can entertain them now, but I want to get to two other subjects if we have time.

John Weingart: We have a lot of time.

Kris Kolluri: Good. Any other comments or questions on anything we've talked about thus far? I want to shift my focus to an issue that is talked about by Governor Murphy all the time, which is New Jersey Transit. Public transportation as a business proposition will never make money. At best you'll recover 50 cents on the dollar. If you're on the Amtrak Northeast Corridor, you'll recover dollar for dollar. But system-wide, 50 cents, you consider yourself an amazing system. So obviously the current governor is confronted with some substantial problems that I think he's going to—frankly, I predict, is going to take him a very long time to solve because the solutions aren't pretty. But I want to step back in time and say those were some of the very same issues that Governor Corzine dealt with, but we dealt with them a little bit differently, perhaps by accident, perhaps by design, but I think it's worth mentioning that when Governor Corzine took office, we were very privileged to take possession of the bi-level cars, which was the double-decker cars that automatically increased the capacity on the Northeast Corridor from 24 trains to 48 trains an hour. So essentially from Trenton to New York, we just fundamentally changed operations of the train system. But something else happened which I don't—again, this goes to the governor's point about how these are not sexy, but they're impactful. The thing that I remember, that we went and made a very hard pitch and the governor intuitively understood, is in a very difficult budget where he was cutting budgets from every possible department, we basically asked for 300 million dollars a year in subsidy for New Jersey Transit. And I have to tell you, that was one of the hardest things that we had to ask for, because 300 million dollars in a 30-billion-dollar budget doesn't seem like a lot, but it was a lot. So Governor, I know transit is something that you correctly obsessed about because you knew how important ARC project was, you knew how important making sure a million riders on the bus and the train systems have a way to get around. Talk to us a bit about it, and then I want to turn it over to a couple of other folks, because this is one of the few issues—it has become political, but it was not then because it was more an operational issue. People were frustrated; they were expressing their frustration because the system wasn't working; it wasn't a political issue. Yet we realized how important it is to fix it. Do you want to just touch base on that?

Governor Corzine: Well, there are a couple of observations. First, we tried to have a macro view, a strategic view of why you were doing things. Mass transit is great environmental policy, great economic policy, and a quality of life project. You put in quality mass transit and put a development hub around that location and watch the property values explode. Maybe not explode, but do really, really well along these lines of transportation. This is New Jersey. You have to fight for those kinds of things if you really want to make the quality of life and the economic life—and then that allows you to do other things. So mass transit is something that this state ought to have very high, if not at the top of its economic agenda each and every budget because it is so important for all of those 20-thousand, 50-thousand-foot principles that you're trying to resolve.

The second thing I want to say is, I made a point about maybe I wasn't as good as I should have been in explaining the asset monetization program, but I think one of the things that we as a group were extraordinary at was working Washington for funds, whether it was out of the Recovery Act or getting the president to promise that they would put three billion dollars into the ARC tunnel—and that promise was as good the day it was cancelled as it was the day it was given. I think that the experience of actually having been a senator before I was the governor ended up giving me the connections with a lot of the people on the Hill that allowed for a much greater security and making these kinds of things happen. So if I have a regret, I didn't figure out how to put a poison pill on there to make sure that it would survive if I didn't survive politically. One of the great regrets, and I think actually one of the real danger points for the State of New Jersey is that chokepoint for that transportation that then spreads out to all of those other elements, and we have to get that fixed. We gotta get it fixed, and about as soon as possible is too slow. But anyway, the politics of working with Washington is an important ingredient that I think your students who are watching this in future years should understand. And by the way, we had great help. You talked about Bob Franks, who did much for us working the Republican side of the aisle on things that we wanted. [U.S. Senator] Frank Lautenberg, who was a star on trying to get things through on a budgeting process. And the president and his people were always, always willing and able to come and help us in these processes. So mass transit being a fundamental part of that, but we got plenty of help because I think we actually knew what we were doing down there.

Scott Weiner: Governor, if I may, I just want to throw an observation in to build off your point about it being an operational problem at its core and then solving it, which was really [also true of] the school construction issue. It was an operational problem. And for the longest time, it was viewed as a government entity that was going to go out and build schools, create lots of employment and contracting opportunities out of necessity. But Governor, you made it very clear that what we were running was not a construction company, but a construction management company, and it was our job to manage all the professionals, and that operational aspect was at its core. So the message I would like to leave for future students is when it comes to running government, sometimes it's just good old-fashioned management. You have to manage it. There are overlays of politics, there are overlays of constituencies, but all the simple core values hold: transparency, whether it's in a crisis. We found out, as you recall, shortly after you took office, that there was a school being built in Trenton on top of a toxic waste dump that we had to manage, and everybody said, "What are we going to do?" And we ended up saying to the contractor, "Take it down and move it and rebuild it." No kid was going to go in that school and that school was needed. And it was transparency on just day-to-day stuff, letting communities and parents and other stakeholders know what was going on. It wasn't complicated; it just took a big team to be able to execute the way we were able to with your help.

Governor Corzine: At a general principle level, I think what Scott just verbalized is what governing is all about. The governor gets the press, the pats on the back when it works, and some jabs some other places when it doesn't work, but the people who do the job day in and day out are really extraordinary. I encourage students that a role in public life is very, very valuable and can be very rewarding. It makes a difference in the communities that we try to serve, and thank God we have great people that are willing to both work but also manage that process. I've said it before, but I'm grateful.

Kris Kolluri: There's one last point on transit I want to make, which is by the time the governor's administration wrapped up its four years, it was about as close to parity in terms of capital expenditure between highways and transit as we had seen going back in history. Because New Jersey's preference as a matter of policy always has been to give highways more attention than mass transit, and we finally corrected that inequity based on the governor's priority for how he viewed this to be an important part of not just driving the economy, but making sure that people have equal access to get to work and housing and other places.

Let me switch in the last segment, I think the topic also is about the economy. I have no notes on this, but since the governor is an authority on this when he ran for office and when he took office he had to manage it. We were confronted—you were confronted—with a crisis on the economy. You had to balance the politics of it.

You had to balance governance. I want this last session to be a bit about how you viewed this personally, because I'm not sure we have seen an elected official since the Great Depression go through that and worry not only about your reelection, but worry about how to manage the state from falling into the Hudson or the Delaware.

John Weingart: Let me interrupt you a second, because I think that's a good introduction for the second panel actually.

Kris Kolluri: Oh, sorry. I thought it was part of this, too. My apologies.

John Weingart: But I have a specific question. The role of Bob Franks has been mentioned and I remember at the time it was a big surprise and a big feather in the cap of the proposal. How did that come about?

Governor Corzine: I'd like to think Bob and I were real friends. As many of you may recall, he was my opponent in the senatorial election in 2000 and by happenstance we go to the same church, or went to the same church, in Summit, New Jersey. And we were friendly there, but when we came to be in the same crucible, we took each other seriously as a competitor when we were in public and had a human relationship aside, and generally would joke that, "We're going to go out and cut your head off," or "knock you into the cheap seats," and then we'd walk off the stage and shake hands and laugh about how we had handled each other in debates or whatever thing. I respected him when he was a congressman. He was my congressman for, I think six years before I got into politics. I went to see him when I was going to run. I believed in bipartisanship and he represented the best of that.

He also was a tough competitor, believe me. I think he ran the Republican party, killed more than a few Democrats. But he was just a special person. To understand him, I'll give an anecdote. When I was going to run for governor, or was thinking about it, he came into my office—he was lobbying for the pharmaceutical industry I think at that point—and he said, "I won't support you, but here's what you have to say to get elected and here's the things you have to do." And he was spot on. Spot on. And when I was elected governor, he came and said, "I'll do whatever I can do to help you, but I hope you'll listen to me on these budgetary issues. I think I probably know them better than you will in the first couple of years that you're governor." He was a regular visitor to the Governor's Office, as was Bill Gormley and a couple of other Republicans who we tried to give real credence to the conversation on a broader basis. But he was just a very special man, and we're all a little lesser able to do the things that we would love to do in New Jersey because Bob's not here.

Kris Kolluri: John, since I was unfairly trying to misappropriate Dave Socolow [and the second panel], let me go back to my issue. Do you want to say one more thing? I want to ask one question.

Josh Margolin: I have one question, Kris, on what you just mentioned about the proportions of transportation spending as it relates to the difference between car commuters and mass transit riders. How much, Governor, was it intentional that the proportions would be brought in line, and how much of it was associated with the fact that you were actually the only governor in modern times who had ever commuted from New Jersey into New York?

<laughter>

Kris Kolluri: That's a very good question.

Governor Corzine: Well, I went so early that car traffic didn't bother me. It was intentional in a big-picture sense. One of the things I tried to do as governor was to have a big-picture or a strategic view of what you were doing and then see how it filtered into various detailed aspects. Sometimes you build from the bottom up on what you're trying to do, but in most instances—and I think Kris said it earlier—we tried to believe, tried to carry through policies that would enhance mass transit because I thought it was an economic development issue, I thought it was a quality of life issue, and there were serious environmental issues that I think came with the territory of trying to get cars off the roads. So it's intentional. I don't think we ever said, though, we were looking for a 50/50 split. We just biased our budgetary decisions, when we had to make choices, towards mass transit.

Steve Dilts: It doesn't happen by mistake, right? Historically an 80/20 split, and to move that north of 40 percent, 45 percent highway to mass transit, that is very, very intentional. And no, we never did set a 50/50, but we thought that 60/40 looked a lot better than 80/20.

Governor Corzine: These guys were great advocates for what we were doing. Who was the young woman that ran the turnpike?

Steve Dilts: Diane Scaccetti, who is our commissioner now, doing a wonderful job.

Governor Corzine: Yes, just a great, great spokesperson for mass transit, even while she was at the turnpike.

Josh Margolin: Because it always felt in Trenton, covering it, that mass transit was a stepchild to the car commuters.

Kris Kolluri: No question, it absolutely was.

Governor Corzine: But first of all, there are fundamental pieces to this. Don't fix that tunnel, that mass transit program—you can spend all the money you want on cars and all the other things; if you don't have that tunnel, you don't have that—what's that bridge?

Kris Kolluri: Portal Bridge.

Governor Corzine: The Portal Bridge fixed—

Kris Kolluri: It's still not fixed.

Governor Corzine: It's not wasted money, but it's not productive.

Kris Kolluri: And we also had a baseline physics problem, which is that we ran out of land mass in New Jersey to build more roads. If we made the improvements that the governor is talking about in terms of tunnel improvements and other ways to improve the service, you could carry more people in a mass transit system than you could on the roads. The Turnpike is a great example. After you get past Secaucus, the Eastern and Western Spur are it. There is nothing you can ever do to make it bigger, because of environmental reasons. That's one of the driving factors why we proposed the idea of setting aside part of the toll increase that happened at the Turnpike towards the ARC tunnel, because we thought, both from an investment standpoint, and as a matter of social economic policy, it made perfect sense to do just that, to divert toll money to mass transit.

Governor Corzine: Just another dirty little secret will come out now. We also tolerated—maybe even subtly encouraged—an increase in tolls through the Port Authority, so that we would encourage the use of mass transit. And while I wasn't in favor of congestion pricing in New York City, we wanted to have a situation where we were encouraging the use of mass transit on a regular basis. We needed some of these other things to happen. That didn't stop the tolls from going up in the 17-dollar trip to New York City they have now. But we were thinking about it in a holistic context.

Kris Kolluri: Tom, did you want to say something else on it?

Tom Shea: No, we've moved on. Thanks.

Kris Kolluri: So just because you have allotted us time doesn't mean we have to take it.

Janellen Duffy: Kris, can I say one thing on school construction?

Kris Kolluri: Janellen, please.

Janellen Duffy: I thought Scott a really good summary earlier. But I also wanted to mention, and just kind of underscore when we were trying to get the additional money reauthorized for school construction what kind of opposition we were up against. I mean, reforms were in place, which absolutely needed to be done before we could ask for additional money. But there was still a lot of skepticism in the legislature, and Governor, I remember we had gone out into the field with Scott and we had seen schools in the SDA districts that—I mean, I can remember your face. I can remember you just being—

Governor Corzine: Horrified.

Janellen Duffy: —horrified at what was going on. There were health and safety projects that couldn't be addressed. There was horrific overcrowding. We saw kids in hallways and in coatrooms being educated. So just for the sake of history here, you had to go out and really make the case, as I remember it. We had to talk about the schools that were in the Ironbound that had been built before the Civil War. We had to go out and really—and there were like four or five of them. So that really took—it was like a drumbeat that we had to create in order to build demand there.

Scott Weiner: That's a very good point. I have two impressions. I can't remember the name of the school, but it was in the Ironbound—

Janellen Duffy: Oliver Street maybe?

Scott Weiner: Yes, the Oliver Street school, that was built before the Civil War and we were taking the tour, and there were two images, Governor, of your face that I recall. One was in that school, where there were special needs students who were taught in the hallway. For some reason there was opposition to modernizing that school. The other was—

Ruthi Byrne: 1865 [it had been built]?

Scott Weiner: Somewhere in that range, yes.

Janellen Duffy: Yes. Yes.

Scott Weiner: And there had been a renovation since then, but that was—

Governor Corzine: In 1919.

Scott Weiner: Yes, that's exactly right.

Janellen Duffy: Yes. There were like over a hundred schools across the state that were a hundred years old, or so.

Scott Weiner: So that's one impression. The other impression was you accompanied some of us to opening day at one of the new elementary schools in Newark. And there were two faces I remember. One was children as they walked into that school and you observed that. You could see the self-esteem coming out of the children, and one of them turned to another and said, "I didn't know anybody cared enough about us for us ever to have anything like this." And I can't remember your exact words, but the point that you made to all of us is, "This is why we're here." And that was—selling it was very important because there still was skepticism, and at the end of the day, in the face of desperate need in communities that needed it, there was an opposition that would not have been overcome without your leadership—again, at some cost.

Governor Corzine: Well again, I'll go back to the description of, we had a strategic view that we had an obligation to fill, or responsibilities for the out-of-district schools, and we took that seriously. But we also didn't want to forget about other schools. We thought it had to be revised, and our formula did that. But you can put all the money you want into places. If there are no facilities for the kids to learn, the circumstance you described—the special ed kids in a hallway for learning—just doesn't cut it, just doesn't make it. And when everything else is bleak and down, it is very hard to have an uplifting experience for children. So this was a priority, and I think we made a lot of progress on it.

Scott Weiner: Well, I think so. I mean, personally—most people in the room know I've been blessed with having a long career in New Jersey government, and I'm privileged to head up a couple agencies. This is the most rewarding thing I've ever done in my life, let alone in state government. And I thank you for that opportunity.

Fred Jacobs: Just one point, Kris. I wasn't here during all of that, but one thing hasn't been mentioned which is important to us in the public health side of things, is aside from the direct economic impact of having mass transit, in terms of all the things that does, there's a public health issue; there's an environmental health issue; there's a climate issue; and there's an environmental justice issue. Because where a lot of this pollution occurs from cars that aren't moving is in inner cities where the chokepoints are. So just on that point alone also, it overlaps into way beyond the economic and purely transportation issues into a public health issue as well.

Kris Kolluri: Thank you, Fred. So let me wrap up. We haven't had time to talk about a lot of this, but we were talking about bridges before the Minneapolis bridge collapsed. This governor set aside 600 million dollars a year. Our deadlines towards erasing the structural deficit of bridge conditions in New Jersey started with this governor, has continued for the last—this is the first governor to dedicate all 10.5 cents of the gasoline tax to transportation. Nobody else had done it before he got there. He was the first governor to come up with a ten-year capital program for transportation. He was the first governor—since Governor Whitman, I should say—who had all the transportation agencies report under one commissioner of transportation, because he thought it was important to have a unified view of what transportation investment looks like. Those three things, again, may sound process-oriented, but the import and the impact it had on the residents, unknown to them, is, I think, significant.

Let me end with a story. When I was sworn in, I asked Governor Corzine to come to the Department of Transportation because I don't think, Steve, any other governor had ever come to the Department of Transportation. Maybe they did, but certainly not for a swearing-in ceremony. So the governor was kind enough to come and swear me in. At the swearing-in ceremony, he leaned over to me—and I actually have a photograph of this—and he said, "I'm just shocked at how many hundreds of people are at your swearing-in ceremony." I said, "Well Governor, I'm the only department that has money to give out."

<laughter>

I hope we have done what is appropriate and what is ethical and what is transparent, and I'll tell you, we look back and we can say we've done—and we only did it because of the decency of the man sitting to my right. Thank you so much.

<applause>

Governor Corzine: Didn't I make you governor for one day?

Tom Shea: I was just going to say.

Governor Corzine: That's why all the nice compliments.

Tom Shea: Since we are at the Center of the American Governor, we actually have two governors with us here today. You might not know this, but before we had a lieutenant governor of New Jersey, the line of succession to the governorship was the senate president, the assembly Speaker, and then the Commissioner of Transportation. So one of the things of which I'm least proud is the time on December 27, 2006—

Kris Kolluri: It was my birthday too.

Tom Shea: —when I called to inform Commissioner of Transportation Kolluri that he would be the governor of New Jersey on December 28, 2006. So we have with us not just Governor Corzine, who we're all very proud to be here to talk about the inspiration that he gives and the work we've done for him, but we're also here with New Jersey's first Indian American governor.

<applause>

Kris Kolluri: They changed the statute right away after that.

<laughter>

John Weingart: As I recall, somebody made up business cards for him that said "Governor."

Kris Kolluri: Janice did.

Josh Margolin: Did he pardon anyone? Or have a party at Drumthwacket?

Tom Shea: He did go to Drumthwacket.

Kris Kolluri: I did.

Tom Shea: His only accomplishment as governor was to sit for an interview with the New York Times.

<laughter>

Kris Kolluri: The governor called me about it from Mexico.

<laughter>

John Weingart: Let's take a ten-minute break.

PANEL 2: ***"The Economy and the Impact of the National Recession"***

David Socolow: Thank you for putting on this panel and thank you Governor Corzine for thinking that this was a worthwhile lens historically to view your administration. And I want to echo what Governor Kolluri said in a prior panel.

<laughter>

That really this was such a test of your leadership. The state was served incredibly well by having a governor with so much focus and passion on how the economy was affecting ordinary New Jerseyans and also bringing to bear a lens of rationality, of data-driven decision making and analysis that really was enormously important. But as I said when I suggested that we should do a whole panel focusing on the impact of the deteriorating national economy, it was because it had such an enormous impact on the second half of Governor Corzine's term in office. So what our approach for the next hour and a half is going to be is to do a chronological rewind, to go through in chronological order milestones from the end of 2007 through the end of 2009 to discuss how the governor and his administration understood and addressed what was happening at each point in time and how the Great Recession affected New Jersey's workforce, the economy, the state budget, politics and of course the people. The reason for this milestone approach is because so much changed so frequently. What we knew at the beginning of what was then we didn't understand was the Great Recession, what we knew then versus what we knew as time went on changed and it affected a lot of things.

So I want to zoom in on six periods in our time together and talk about the winter of 2007 through the spring of '08; the summer of '08; the September 2008 fiscal and Wall Street crisis and the immediate aftermath; the Obama transition, which was so important when President Obama was President-Elect Obama and was thinking about how to try to save the economy from a Great Depression and how that affected New Jersey; and then two periods in 2009, obviously, the first half and then the lead-up to the reelection. And so that first point in time—December 2007, January 2008 and February 2008—we started to see weakening in the New Jersey economy. We saw job losses three consecutive months in a row at the State Labor Department, which I was privileged to lead thanks to Governor Corzine asking me to do that. We began modeling what kind of a recession we might have. And just as a historical point, in February of 2008, Congress passed what they thought would be an acceptable small stimulus bill. $150 billion dollars to give every person a $300-dollar tax rebate that would essentially cut a check to people in the summer of '08. Actual stimulus checks were going to be mailed out. And they did that because all of the chatter by February of '08 was that we were in a recession. I remember, Governor, we met in January of '08, late January, and we talked about what a mild recession looked like. We didn't call it a mild recession, but the models we had were from the 1991 recession and the 2001-2003 recession. And in New Jersey, the '91 one was worse. The 2001 was slightly deeper, slightly worse for New Jersey than for the country as a whole. So we took those as the two options and talked about how that might impact on our economy, how that might start impacting unemployment and employment and job creation in the state. But we also talked about how that might affect the budget. So I think the first question I want to ask is to then Treasurer Dave Rousseau about how that affected planning for that Fiscal Year '09 budget that the Governor had to propose in February of '08.

David Rousseau: I think, looking at February and then I'm going to go a little bit through June and how we did that timeframe. But in February of, while we were putting that budget together, I think we're out there looking at and our people in the Office of Revenue and Economic Analysis are looking at exactly what other people are looking at. Nobody could have ever projected what ended up happening. We'll talk more about what the real magnitude was as we move forward. But it was just saying, okay, here's what it's going to be. And then remember, in New Jersey there's a difference between what's happening to Joe Sixpack who's out there working and him being unemployed versus Jon Corzine losing $100 million dollars. <laughs> There's a big difference on our revenue projection, and I think nobody knew what was happening. Nobody knew what was going to come in the fall and what was going to happen to the market. So we built a budget that year that had modest revenue growth, but had revenue growth in February. I think the numbers were in the overall revenue growth of about 1.6 percent. Income tax going up by about 6 percent, which is a reasonable number based on historic trends, et cetera. We had some taxes going away, from the business community that we decided to let go—maybe a year later we might not have done that. We made a commitment—we'll talk about it later—to put some money into the Unemployment Insurance fund. Remember, every other administration from Florio on had taken money out of the Unemployment Insurance fund—or diverted from it, because you can't take it out. We never took any money out, never diverted any money out, and actually put money in.

And also knowing the framework of having been around for a number of third budgets of administrations, the third budget is where you want to put a sound fiscal footing to move into the election year budget. And so that was what was going on. And I think when we came out with our numbers, the data, I think it was a budget that actually cut spending. We had either the highest or second highest amount of direct property tax relief that we'd ever had, which came out of the 2006-2007 Special Session. We had the either the first or second year of the school funding formula. Nonrecurring revenues were down significantly, et cetera. We go through the spring and there's more and more and more warning signs. So we get to June and we actually adopted a budget that June that basically had the largest spending decrease in dollar and percentage ever done in the State of New Jersey. Our income tax estimate for that year, the revised estimate was .9 percent. So basically, flat on the income tax. Our sales tax [projection] was basically 1.9 percent in increase. I was actually texting David Rosen from the Office of Legislative Services (OLS) at that point in time, and our view—having each one of us done many budgets—was that even in the worst of times, the sales tax was going to grow but 1 or 2 percent. And even in the best of times, it wasn't going to grow more than 5 or 6 percent, because there were only so many cars, refrigerators, jewelry that people can buy. So we viewed this as just a normal, you know, what had happened in the past. Our revenue numbers were basically—on a $32 billion dollar base, there was only a $48 million dollar gap between us and OLS. That's negligible. The rating agencies in July of that year, basically—I won't say they praised us but they didn't trash us.

<laughter>

They said things like, “You have reasonable revenue numbers.” Look, we had no tax increases. Reasonable revenue numbers. Actually cut spending. So we get to June and we think okay, fine. We've got a foundation that will be there. I think we had a $600 or $700 million dollar surplus. Remember, we were coming off the third year where we had over a billion dollars, which was roughly a little over 50 percent pension payment. It was actually amazing to put into context that the liability, although 12 years ago now, was basically—billion funded 50 percent of it, of $2 billion. Now we're talking about you need $3.5 billion to fund 50 percent of almost the $7 billion dollar liability.

So that led to where we were in June. And I think, as I said, the rating agency’s in the summer when we did our presentations were—Because it was just, the rumblings were there. The collapse wasn't there. And I think that's where we were at that point in time. There was sacrifice among departments on doing things but it meant that we protected rebates. It meant that we protected school aid. It meant that we put money into the UI fund. It meant that we let some of these business taxes go away. And I think everybody believed we had that sound footing. It was actually the first budget that I had worked on that actually had my name on it.

<laughter>

I don't know if that's a trend or not.

<laughter>

David Socolow: And the other—you mentioned it, putting money into the UI fund. Letting those business taxes expire. That was designed to prevent a payroll tax increase, which obviously harms business but also ultimately harms employment. Prevent a UI automatic triggered unemployment insurance tax increase in the midst of what again was going to be a mild recession. So the whole theory was that the UI trust fund was depleted. It had essentially no money. Once it gets below a certain level there's an automatic tax increase on employers.

Governor Jon Corzine: Imposed by the Federal government.

David Socolow: Well, it's actually imposed by—It's imposed by, yes, the Federal Solvency Standard.

Governor Corzine: The standard, yes.

David Socolow: We were not going to meet that solvency standard. We knew that back in December of '07. And we talked all spring about what we should do and we actually decided to use $260 million of the FY08 surplus—putting June of '08 into the '09 budget—to deposit into the trust fund. No governor has before or since has ever done that. And what that did was it forestalled that tax increase from automatically taking effect. The theory, of course, was by summer of '09 we'd be recovered. We'll be fine. You know, this recession will be on its trajectory out. And so that'll be an okay time—if automatic tax increases do get triggered then, that's okay. And also unemployment claims will go down by then. That's not what happened.

David Rousseau: One other thing I want to add. We talked about how we let businesses off the hook. But we also did continue the phase in of our increase in the state's Earned Income Tax Credit for low income people. And to put the numbers in perspective, what you just said, the previous administrations diverted $4.7 billion dollars over, like I said, from 1992—

David Socolow: Fourteen years.

David Rousseau: 1992 on. We actually did a second payment, if you remember, in Fiscal Year '09. We put $380 million dollars in and in the notes I have it basically says that that resulted in a savings basically of almost a billion dollars for the business community. Which, again, would have been taken—they would have had two ways to pay for that. Either take it out—they could have had to lay off other people and it becomes a circle—

David Socolow: Right.

David Rousseau: A circular reaction. But I think that's where we were in the summer of 2008, prior to September of 2008.

David Socolow: So Governor, what were you thinking in the first half of '08 about the economy?

Governor Corzine: First of all, let's start with the 30,000 foot view again. Recessions are really hard on real people.

David Socolow: Yes.

Governor Corzine: It's not an insubstantial burden on citizens. And I'm not saying this in a political sense. Most people in the middle class are two or three paychecks away from, maybe not quite bankruptcy, but absolute economic oblivion which puts enormous pressure on. And even if you didn't lose your job during a recession, the fear level and the stress level goes up as you see other people in your neighborhood, et cetera. So I think we got it. This is sort of an answer to Kris's earlier question. But if you're not thinking about it in that context, then I think you're not going to come up with good public policy. So let's start with that as an issue. The Earned Income Tax Credit is a great idea, but if you're not working it doesn't help you. I mean, I'm a big believer in the Earned Income Credit. We were ahead of the game on a lot of that stuff and increased it quite substantially. But it doesn't do any good in these recessions. I was a buyer that this was not going to be as serious a recession. I don't think we had, or we didn't feel that we had, the housing problem that in New Jersey that was being focused on in the country. I was wrong in that judgment. We ended up in our inner cities having probably a worse problem than most states. Lending standards had been debased far worse than I quite understood and the repercussions in our urban communities was pretty devastating as we moved into that second phase. That hadn't bitten yet.

David Socolow: Right.

Governor Corzine: So it wasn't quite as obvious. And so it was easier to take the kinds of things that we were doing, the unemployment insurance. We weren't getting any particular help from Washington yet at that point in time. There was no place to turn. We were doing everything we could do on the infrastructure idea because that would put people to work and we were dedicated to those kinds of efforts. But we were supportive of business and there was quite a bit of controversy inside the administration about whether we'd give business tax cuts, but at the end of the day that maybe it was thought that that had a chance of actually helping people stay in business and many of the small businesses would benefit the most from the efforts that we were about. So we were taking anticipatory steps. The Unemployment Trust Fund was a really, really big one because that was a vicious cycle. If your payroll taxes go up and it undermines business, even well beyond. And the thing was, actually Wall Street was doing well on an earnings basis. And as you well know, we benefited enormously from the Lee Coopermans and the David Teppers and the—

<laughter>

You know, the billionaire set that does well in our state. And it looked at least at this point that that part was holding together even though our unemployment numbers were going up.

David Socolow: Yes. And so in the summer the—

Carl Van Horn: David, can I just say something about the spring?

David Socolow: Yes.

Carl Van Horn: I went back and looked at the numbers and I think it's important to have this context because people say, “Well, why didn't you know?” And I think number one, to echo the governor's point, no one ever predicts a recession accurately.

David Socolow: Yes.

Carl Van Horn: And unemployment is a lagging indicator. So basically what we had was lower unemployment rates than when the governor was sworn in, in the spring of 2008.

David Socolow: Right.

Carl Van Horn: And it was significantly lower than the 2001-2002 recession.

David Socolow: Yes.

Carl Van Horn: And the Wall Street bonuses were still being paid well that year in December of 2007, which obviously hit—

Governor Corzine: And they got off to a good start in the first half of the year.

Carl Van Horn: Right. So all of that was—to say that there was any planning going on was prescient because basically, a lot of the indicators were not at all troublesome. And then the other point is that we began to—I was chairing the EDA at that point, thanks to Governor Corzine's appointment. And what we started seeing at that point was a softening in demand for our programs, so we lowered the interest rates. We cut the interest rates for our loans in our Loan Guarantee Programs. Because it was the beginning of the sense there was a liquidity problem. And we also had people coming to us—I went back and looked—that were first-time customers. They never thought they needed to go to the EDA. But that wasn't a crisis point; it was certainly not. And it was in line—we were steady along the basic idea of helping small and medium-sized businesses, women, minority-owned businesses. You know, lower the interest rates by, I think, 100 basis points or something like that. And that seemed like the right medicine. And I just wanted to make those points. Because it was not a pants on fire—And I was in the Florio administration, as were some other people here around the table, in '93, '92, and it was much worse at that point than what we were seeing in this particular period.

David Rousseau: To put it into perspective, remember, most of our income tax money comes in in April. For Fiscal Year 2008—so that would have been the year before, that would have been April of 2008—we had a billion dollar increase in the income tax that year from Fiscal Year '07 to '08. And there was no tax increase or anything in there. So that showed that, like you said, a lower unemployment rate for the basic everybody else and then that the Wall Street was still doing well, because we were getting estimated payments in the first half of the year from the activity that was going on in Wall Street through, I guess, June of that period of time. So I mean, you had that billion dollar increase in just in the income tax.

Governor Corzine: I will say that this is one of those areas where I'm in retrospect somewhat critical of myself in the sense that when Bear Stearns went down in February or—

David Socolow: Yes, in March.

Governor Corzine: —first of March, it was a tell. It was actually a forbearer of future bad news that I maybe should have picked up on a little bit more. By good decision making at the Fed and other places, they solved that issue. But it was a telltale sign that there were serious stresses in the mortgage market and maybe we could have taken a little more aggressive stand with some of the subprime lending that was going on.

David Socolow: So, Governor, there was one indicator that started troubling us in the summer that was different from either of those two other recessions, which was people all the way exhausting, running out of all 26 weeks of their unemployment insurance. And that usually doesn't happen. There's usually a small percentage of people who stay on unemployment right until it ends and then only then do they begin looking for work. But the average person finds a job within 8 to 10 weeks of filing a claim for unemployment insurance. If you graph it, that's what you'll see. That wasn't happening. The number of people exhausting, as a percentage of the people on unemployment, spiked up and no one really understood why. Congress started talking about a national plan to deal with this. I remember in the summer I went—we did a press release with your name on it, Governor, that we talked about urging President Bush to sign this bill, which I think he vetoed—maybe he vetoed it twice—to extend unemployment insurance benefits, federally paid-for, for some additional weeks. I think it was 13 extra weeks for people. But that was just an interesting—another little brick in the wall of gee, maybe something is going on here in the summer. Does anyone else want to talk about—before we get to September of 2008, which is an important inflection point—about any of the other lead-ins to what became the Great Recession?

Okay. So in the middle of September 2008, Lehman Brothers fell and was not rescued the way Bear Sterns had been six months earlier. And a credit crunch ensued, a fiscal crisis ensued. Who would like to go first?

Governor Corzine: By the way, I would just add that the AIG—

David Socolow: Oh, right. Yes.

Governor Corzine: —AIG restructuring was actually a greater exposure for the system than was Lehman. And even I caught that this was bad stuff. I didn't know where this was going, but it wasn't going anywhere good. Because you had AIG, including some of the swaps that New Jersey had on its books guaranteed by some of the banks that you began to wonder whether they were going to be able to meet their obligations in some of the derivatives that occurred. This was by any analysis heading in a very, very stark direction.

David Rousseau: And I think in September as this crash is first occurring, our first focus wasn't necessarily yet on the revenue because we didn't know how it was going to impact our revenue because we didn't have payments coming up.

Governor Corzine: Not good.

<laughter>

David Rousseau: We knew it, but we didn't know the magnitude. But the asset side of our portfolio. Like you said, Lehman had a lot of the swaps that we had in our debt portfolio. We had stuff on some of our pension assets that were there as well. I give the governor and Brad [Abelow] credit that for the first two years or so they tried to keep away from the division of investments and everything like that because of the appearance, because of where they come from. But at that point in time we started having to brief the governor on what was going on with our exposure on Lehman. I remember we were somewhere and I brought over our Director of Division of Investments for a half hour briefing with him. We were at the State Police Headquarters because he and I were doing something up there. But that was the first sign there, that type of thing. And then we knew that there was going to be an impact. I mean, my first recollection of how bad it was going to be was when in December of that year when, and he's not here and I'm sure he'll forgive me for using this. I've said it to people before. When Brad Abelow basically said that he had gone to his accountant and not only was he not going to owe us any money for the rest of the year because of the losses he had taken, or whatever, in his portfolio, that we were probably going to owe him a refund in April. So if that was impacting Brad and we all know that our income tax is very, very, very progressive, with most of the money coming from the top. If that was happening with Brad, this was going to happen with a whole lot of other people. And by January of that year we had predicted a $2 billion dollar shortfall, which was significant. Bigger than anything in a mid—for a mid-year, that was more significant than anybody else that had ever dealt with. But then that's where we were I think in the fall and winter of 2008.

David Socolow: Yes. Janellen.

Janellen Duffy: Yes. I remember the October-November timeframe and leading into the Obama transition and just your intensive and the team's intensive efforts to try to really make sure that we could shape the stimulus conversation. And just, I mean, having emergency meetings all of the time, numerous other conversations with other governors. I was sharing with David on our prep call, I remember in particular this one call with Valerie Jarrett when they were on their transition team, they were coming in. And it was a bunch of other governors and yourself. I think it was Democratic and Republican governors. It was a handful of folks. Just a handful. And she had to step out of the room to go take another call and all the other governors were trying to convince you to be the one to ask for the trillion dollars.

<laughter>

They were saying, "You do it. You do it, Governor." Because they were really vested in the guidance that you were providing because of your financial background and I think also, just to be honest, the political context. They knew that you were going to be up for reelection soon and that it would carry more weight if you made the ask. And we spent all of November and December and January just intensively trying to shape that American Recovery and Reinvestment Act so it would benefit New Jersey. You alluded to this earlier. I mean, calling every single person that we could.

Governor Corzine: Well, we testified a couple of times.

Janellen Duffy: Yes. You testified. Calling not only the New Jersey delegation, [but also] all your former colleagues from the Senate and the organizations we worked with in D.C., Center on Budget, a variety of other think tanks, because we wanted to really strongly make the case. I know you wrote a few Op-Eds in that timeframe. You carried the water on making the case for a trillion dollar stimulus that we all know was then cut back to about $787 billion.

David Socolow: Carl, did you want to add something?

Carl Van Horn: I was going to say, even before the election, however, you addressed the legislature and laid out a whole set of actions that they should take, including $3,000 dollars for new employees to hire. Stated the acceleration of the Port Authority of New York and New Jersey, when they used to listen to us <laughter> to improve infrastructure projects. Sorry about that editorial there. $500 million dollars in State funds to community—

Governor Corzine: I think actually it was at that time we put the shovel in the ground for the tunnel, wasn't it?

David Socolow: Yes.

Janellen Duffy: Yes.

Carl Van Horn: Yes. It probably was, right.

Governor Corzine: In that period.

David Socolow: Yes.

Carl Van Horn: There was also money to community banks to increase lending. We proposed that. And in the last previous months before that we lost over 20,000 jobs, decline.

David Socolow: Yes.

Carl Van Horn: The month of September it was down 3,000 jobs. So this is just within that short period of time we're talking about, we went from uneasiness to panic.

Governor Corzine: Exactly.

Carl Van Horn: On what was going on in the economy. So it had already hit. And you were out there. I believe we had a number of meetings that preceded that, and you gathered a lot of people to give you ideas about that. But then you had this session, which is very unusual, obviously, to have that, and at that time, according to *The New York Times*, at least, you predicted a $400 million dollar fiscal shortfall.

David Rousseau: Probably in November, that's probably what we were at.

Janellen Duffy: Yes.

David Rousseau: Because we hadn't—we were just seeing conditions—

Carl Van Horn: Yes. And this was in October of 2008.

David Socolow: Yes, I think so.

David Rousseau: Yeah. And I think the other things as we move forward in this discussion, there's two pieces of this puzzle that go on as we move forward: one, those types of things to stimulate the economy. I remember sitting in meetings and we were just throwing everything—I don't want to use the "S" word—but we were throwing everything against the wall and seeing what stuck. And we'd come up with like, let's just pay people to give somebody else a job.

David Socolow: Yes. Yes, we did.

Carl Van Horn: The Obama administration did that.

David Socolow: Yes.

David Rousseau: Yes. That was far out there. But we also had the—unlike Washington, but what every other state had to deal with—we had Constitutional obligations to keep our budget balanced and not just on July 1, the day it was adopted, but every single day of the year as you move forward. It was always a moving target as we move forward. So we had those two competing interests where you could turn around and say okay, let's dump another $800 million dollars into the Transportation Trust Fund but we knew that that wasn't going to—First of all, we didn't have the money to do it.

David Socolow: Right.

David Rousseau: And second, it was not going to—you would have been approving a project for three years down the road. That you had that dynamic going on—the dual approach. Trying to get the economy moving and making sure the people of the state know that the governor cares about getting the economy moving. And then also every day, trying to figure, okay, what do we do to keep a budget balanced that doesn't hurt the problem even more.

David Socolow: Right.

David Rousseau: Raising taxes midyear may not have been the—well, first of all, you couldn't have raised taxes quick enough to help in that short a period of time. So it dealing with that. But you weren't going to take a billion dollars out of schools and cause something else. So you were also hamstrung on where you were going to get what ultimately ended up being about a $4 to $4.5 billion dollar shortfall in a $32 billion dollar budget where half your money's out the door—more than half your money's out the door—by December of the year.

David Socolow: Yes.

David Rousseau: So you're dealing with those two tracks on how to get this moving.

Carl Van Horn: The other interesting thing is—again, I don't know what they were saying privately because I had some meetings with the Republican legislators at that time, but you obviously much more so. In public, they were not trouncing your proposals. In other words, they were indicating some willingness to cooperate, which I think reflected the sense of crisis.

David Socolow: Yes.

Carl Van Horn: In other words, we didn't have this immediate, "Well, that's your idea, so I'm against it."

Governor Corzine: No, I don't think actually we had anything but general cooperation in that timeframe.

Carl Van Horn: Right.

David Socolow: And I think they were hearing it from their constituents. I mean, I did a tour of our—well, it used to be known as Unemployment Offices but which we called One Stop Career Centers where people go not only to get—

Governor Corzine: Not the Last Stop. One Stop.

<laughter>

David Socolow: That's right. One stop because they could get all the services they needed, not only their benefits, but also help finding a job. And the sense of panic and desperation—I think I visited ten in a three-week period and the sense of panic. And I used to just drop by those all the time. I'd never seen anything like it. First of all, the lines were out the door. Second of all, people were really panicked. And some of the people who were there, who were panicked, had not lost their jobs. So to the point that you made earlier, Governor, the people who hadn't lost their jobs were the ones I think most gripped by the panic. People who have lost their jobs get real practical real fast and start figuring out how they can stay afloat. But people who thought that they were just one more day before that other shoe was going to drop and they were going to get the pink slip were sort of living with an uncertainty watching the TV news talking about potentially the meltdown of the global economy and nothing seemed safe or certain. And I remember, I think it was the day or the two days after Lehman, so in mid-September, then New York Governor [David] Paterson, Acting Governor or Governor or whatever he was called, Paterson, the former Lt. Governor, called me and Trish Smith, who was the Commissioner of Labor of the State of New York, to his office and then we did a press conference in the office there on Third Avenue in Manhattan announcing that we were going to apply to the federal government for what was called a National Emergency Grant jointly between New York and New Jersey to just get some funding to try to help us foster job creation. And what he said at the time, and I know it echoed what you were saying, was we have to just present a sense of confidence. We have to make people believe we are doing something. I mean, this was, I think, a $7 million dollar grant. I mean, it was not going to make very much difference, but it was the fact that we were taking immediate action, that we had our application in the very first day that we could. I think there really was a sense of fear almost akin to what you read about in the accounts of the Great Depression that really made us—and I don't think people were using the term Great Recession yet, but it's certainly what it began to feel like. Who were you talking to about whether this time was different in those moments?

Governor Corzine: Carl, I think we had a special conference that Paul Krugman and—

Carl Van Horn: We were at NJIT [New Jersey Institute of Technology], yes.

Governor Corzine: Yes. A group of people that we got together. That was the public face of this, but there were conversations with the brightest minds that we could get close to about what we might be able to do. I think that's where the idea of the $3,000 dollar payment for work to a company that hired someone was coming into play. And I think it's also where we came up with the not so Democratic policy of letting corporate taxes expire in and around that time. But it was pretty desperate sort to prime the pump. And one of the things that I remember that caught me more than anything else—caught me politically, too, I have to admit—but I made a habit of going around to union gatherings. And where I had been embraced with fervor, the folks, particularly in the building trades, were absolutely frankly just pissed off. Their union halls were at 40 percent placed. And they were frustrated because we hadn't gotten the monetization program done and the jobs that that would have created. And it was before the President came through with the Recovery Act, which ultimately was our best, best support. And as I had suggested earlier—and Janellen's reinforcing my memory—we did a ton on getting this program in place and making it New Jersey friendly. And given the fact that we had done all this work for the monetization program, we really were shovel-ready. We weren't make-work jobs. And I think it was something—the estimates and I don't know if anybody did the bean counting precisely, put about 20,000 of those labor jobs back to work on some of the projects that would have been taken up pretty quickly on the program. So we felt good about that and then they extended I think actually 26 weeks of insurance ultimately.

David Socolow: Ultimately, yes.

Governor Corzine: Since we knew this problem better than most, we had a lot of credibility when we were arguing down in Washington about what they needed to do. So there were steps that were taken, but at the end of the day this was bigger than any one state. We were really a lot closer to going from recession to depression than I think people actually understood. And if the program of taking over the banks and spending just almost unlimited money hadn't occurred, I don't think you would have arrested the precipitous slide. I mean, you can look on any chart you want, this is the most V-shaped—it was actually more V-shaped than the Depression—from high to low. It came back, thank God, but it didn't help the people that I was talking about that were suffering. And I think it has reshaped consumer psychology in America even to this day.

David Socolow: Oh, yes.

Governor Corzine: Because the starkness, the length of time people were unemployed and the amount of time and the quickness with which it came on to people's lives. At all economic levels. It wasn't just the laborer and building construction. Goldman Sachs let go 10 to 15 percent of its population. A lot of those folks lived in New Jersey. So it was a just a really tough time. And that's before we started talking politics.

David Rousseau: I was sitting in the peanut gallery for the last panel and I think it would have been interesting that if you had made your proposal on asset monetization, or whatever we want to call it, post-recession, if people's attitudes would have been different and would have better understood the issue. I had a

Republican legislator once who was a friend of ours, Joe Malone. It was Joe. I'll out him.

<laughter>

As we were doing this, he had a conversation with me and he said, "You know, I understand what you're trying to do on asset monetization but you're dealing with issues that people don't care about." And remember, this is pre-recession. So he's saying that people don't care about debt at the federal level. People don't care about debt at the state level. People don't care about debt at the local level. Because people don't care about their own debt because it was a credit—I mean, think about the period of time there. It's a credit card mentality. Post-recession, people's attitudes about all of those things [changed], especially starting from the bottom. Their own debt is different. If this asset monetization issue and taking on pension obligations and putting money into road infrastructure had happened in 2011 or 2012, does the public see it differently than they did in late 2007 or early 2008? Because I think we would all agree, that probably was the mentality of the country.

David Socolow: Yes.

David Rousseau: Debt was an esoteric [thing].

Governor Corzine: Just a little politics. Joe [Donohue] and I were talking about this in the break. The Tea Party process of formulation occurred in the 2008 timeframe post-recession. It actually started on the Left, the populism, with Occupy Wall Street, which actually happened in 2008. The people were mad. And by the time you got to the recession and particularly the bailout of the top five banks, the Tea Party was born. I think it would have been virtually impossible. The trust of government so shrank, particularly with the bailout of the banks, which was probably the right policy but it wasn't explained very well, either, and people really resented it. And so I'm not sure there would have been much support for a complicated kind of program that we put together. That's just a judgment of 2020 hindsight. But the whole populism strain that we are living with today was born in this last few years when we were governing. And anybody that thinks that that isn't where this all began I think is not analyzing history and economics appropriately.

David Socolow: Yes. One other point that—you mentioned about people's attitudes changing. We now have with the benefit of hindsight a decade of demographic information. Family formation and births have plummeted. It is an echo of what happened in the Great Depression when household number of children born per couple went way down. There's a whole lot of single/only children in the Great Depression. We didn't quite have that but we have about a 15 percent diminution in the number of children born to that cohort that would have been having babies in '08, '09, '10, '11 than actually did. There's a trend line and it just drops by 15 percent.

Carl Van Horn: Right. We don't have survey data right after the Great Depression, but we do have survey data since 1945 and in this period that we're talking about, the post-Great Recession, this is the first time in the history of that polling that's been done all that period of time that Americans said they did not think the next generation would do as well as they did.

David Socolow: As well as the parents, yes.

Carl Van Horn: So that to me is a signature question and answer that if people do not feel faith that their children or grandchildren will do better than they did, of course they hate government and everything else because that's a place they can point to.

Governor Corzine: Exactly.

Carl Van Horn: Banks, government, anybody in power.

Governor Corzine: And you get to vote on it.

David Socolow: Yes.

Carl Van Horn: Yes. And you can vote on it. You can't vote out the President of Ford Motors. That, plus the other point is, the lingering long-term unemployment of—again, higher than anytime in American history, people not only exhausting unemployment insurance but being unemployed for a year, two years and so on.

Governor Corzine: And completely dropping out of the—the participation rate down.

Carl Van Horn: Leaving the labor force, the labor force participation went down, right. So all of these are—they were all born in that period.

David Socolow: And we still haven't recovered.

Carl Van Horn: We have not recovered.

David Socolow: Yes.

Governor Corzine: Just for the students that listen, the participation rate was roughly in the mid-sixties, 64, 65.

David Socolow: Sixty-six, yes.

Governor Corzine: Up until about 2009. It went down to, I don't know, in the high 50s and it's only come back to 61.5 percent of the eligible workforce. So the numbers are stark and they're still there. Even though the unemployment rate has recovered dramatically, the participation rate is still very low. And the underlying fear factor and the timeframe for someone to go into bankruptcy or certainly financial stress now is as short as it's ever been.

Carl Van Horn: Yes. The Fed study showed that the average American has less than $400 dollars in the bank. So.

Governor Corzine: Pretty incredible.

Carl Van Horn: Yes.

Governor Corzine: I have a question for you, Carl. And I'm just sort of interested because you were around all these tables when we were going through this and David was, too. Either one of you, anyone want to speak up to this question. But I ask, I don't really think we have evolved with the tools—the appropriate tools—yet to deliver a response to these stark changes in economic circumstances, the kind of recession that we put forward. We can deal with a mild one. We were fairly comfortable we would be able to deal with what we were looking at, as David framed it, but I don't think the society has come up with yet—certainly not at the state level.

David Rousseau: I mean, to put it in perspective, to be prepared—is it a wise use of resources at the either state, federal or county level or your local level? To deal with that, we would have had to have a $3 to $3.5 billion dollar surplus. That's usually how you deal with those things. Now, is it a wise use of resources to keep $3.5 billion dollars over here in a surplus for something that might happen once every—

David Socolow: Ten years.

David Rousseau: Ten? No, once every 60 years.

David Socolow: Well, that's true, yes.

David Rousseau: Of this magnitude of this one.

David Socolow: Right.

David Rousseau: While you have unmet needs on schools, on everything else that's out there. And clearly politicians and policy makers of all like, in all states have said, "No. We can't put that much money aside." It's finding that mix to say, "Okay, no, our surplus shouldn't be $300 or $400 million dollars, it should be more around the 4 to 5 percent of a budget." So now it would be what, about $1.5 to $2 billion in New Jersey. And that'll handle most of them. And then, yes, every 50 years you might have this other one that's the big one. But that's the—How do you do that? How do you project? It's like buying life insurance that you hope you're never going to use or buying flood insurance. How do you mix those two things when there's so many other unmet needs? Maybe in the go-go '90s, or whatever, during the Clinton economy that Christie Whitman was able to ride. Maybe you could have said, "Okay, yeah, we can put some money aside for a rainy day." Even then, though, we weren't meeting all of—I mean, Carl's been around long enough. We know we weren't meeting all of our needs even then. What you would have to have ready for that is so astronomical that the public wouldn't accept that. The public probably would not accept $3.5 billion dollars. Look, you can't even get the current legislature to, when Governor Murphy wanted to raise the surplus to $1.3 billion rather than $1.1 billion, which is still probably lower than it needs to be. But you have that debate over well, wait a minute, I would rather spend that $200 million dollars on this, thi,s and that, which are tangible things that people can deal with. Now you have to find that mix, again, about those tangible things that help people and also build you a stronger base to help deal with that next economic downturn.

Carl Van Horn: Well, just a couple points. First of all, to me, it's quite obvious that states are not the ones that can deal with anything of this capacity. They do not have the ability to do it. We cannot print money. We cannot lower the interest rates. We can't do all those things that you need to do. But to answer your question, Governor, the tool that we took out of our basket, if you will, is just hiring people directly. We did that twice effectively in the United States, both during the Great Depression in a variety of ways: community projects and so on and so forth. And also in the Carter era. We had very large, huge job programs back then, and they just put people to work right away. Some of them were replacing the money that the states and locals didn't have, so hiring cops and firemen and so on and so forth, but they were also doing other projects that needed to be done. Whether it's raking up the forest floor in California or cutting down whatever, you know, all those projects happen and they were pretty effective. But among other things, part of the backlash which came beginning with Reagan and on from that about whether the government should take responsibility for this has undermined the will, I would say, of the Democrats and Republicans to do that.

Governor Corzine: I think this is one of the great questions on the intersection of federal government and the reality of how you govern at a state [level], that every governor, every legislature has to deal with. We got tested with about as rough a time as anybody can imagine other than maybe the Great Depression and as I said, this was a particularly unique recession because it was so sharp and steep and it hit politically at about the worst possible time imaginable. But I want to go back to, it's fine for the politicians to wane and wail and moan. Real people suffered a lot and the aftermath and the statistics prove pretty clearly how much it's reshaped America and New Jersey.

David Socolow: That is a good segue to some of the political context. So there were two relevant campaigns in the Great Recession. The only two campaigns that matter. The first one was for the President of the United States and the second one was for Governor of New Jersey. And the presidential campaign of 2008 obviously in part hinged on the deteriorating national economy, one candidate suspending his campaign and flying to Washington. We all know the stories about the McCain-Obama race. But in the immediate aftermath of President-Elect Obama's victory was opportunity to try to really have influence. It's been talked about before but Janellen, do you want to just go into a little bit more about what did we see as what we wanted the federal government to do.

Janellen Duffy: Right.

David Socolow: Since it's been discussed, only the Feds can really solve these kinds of big global problems.

Janellen Duffy: Exactly. Well, we knew it was going to take a multifaceted approach. And we knew that the magnitude was going to have to be big enough to really address the concerns that we had. And so really, the Governor charged me with working with the whole cabinet. I remember a Friday night in November—I'm sure the cabinet was just thrilled to hear from me—having an emergency call and then Saturday morning putting the memo together with all of the ideas that the cabinet had: You, David, Dave, Heather [Howard]. What were the big picture items we could really ask for that would make a big difference? There was a whole host of tax changes, some of which were ultimately included in the ARRA, which we'll talk about. Another big, big issue was the F Map, the Medicaid Matching Rate, which we had been at about 50-50. We knew that that was going to be an enormous benefit to the State and to the people in New Jersey if we could get that increased. We ultimately were successful in getting that up to 65 as part of the Recovery Act. Of course transportation, infrastructure, we knew that we had the shovel-ready projects. And education. We were only going into our second year of the new school funding formula. By the way, the formula was still in court being challenged. It had been a two-year court process. And we knew that we had to still pour money into the formula in order for that to survive. And I can still remember talking with our colleagues in Washington every day and reporting to the governor, reporting to Dave and Dave saying, "It's not enough. It's not enough." We were advocating for billions of dollars and it still wasn't enough. But ultimately, we were successful in shaping the Recovery Act, we believe. And New Jersey, the estimates that we put together with Center on Budget, we got about $17.4, or $17.6 billion in benefits for New Jersey when you looked at the tax benefits and the host of other benefits. And it's funny because you asked me to talk about the most relevant funding streams, but they all stand out as so relevant because I can remember, again, not only did we work with the whole cabinet on shaping the Recovery Act, but then once it was passed, we scrubbed it. We were like, every single line.

Janice Fuller: Every line.

Janellen Duffy: And it was funny because they--

Janice Fuller: They twitch [when they see this].

Janellen Duffy: Yes. We found this 30-page spreadsheet that we made the cabinet go through on, like, a regular basis. But this gets to the point about management from earlier, right? And then we would say to the cabinet, "Okay, what have you found? What can we utilize, both for the state budget and also for the folks in New Jersey?" But ultimately it was the tax benefits. Again, that was about $7 billion of the $17 billion that I talked about earlier. Infrastructure. The F Map was $2.2 billion over three years. There was this stabilization fund which was about $1.3 billion.

David Socolow: And what was the stabilization fund supposed to do?

Janellen Duffy: The stabilization fund was designed to support jobs and protect jobs both in the education sector and in other areas as well. We primarily used it for education purposes.

David Rousseau: Yes. I think what it was is that it was each state probably had unique needs, so it was okay, here's a bucket of money. Use it within these broad parameters.

David Socolow: Big categories.

David Rousseau: But we had to make sure that we could use it and provide relief. And the problem was on some of them there was maintenance of efforts, so.

Janellen Duffy: Exactly.

David Rousseau: It was just great that you got the money but you couldn't use it to supplant state money. Now, fiscal stabilization was worded very—we were able to use it to supplant some money, I mean.

David Socolow: So basically pay for teachers so the school district didn't have to.

David Rousseau: Right.

Janellen Duffy: Exactly.

David Rousseau: Pay for teachers, pay for colleges, pay so they don't have to lay off people.

Janellen Duffy: Exactly.

David Rousseau: Just think if we had done a billion dollar cut in school aid rather than a billion dollars of stabilization aid what would have happened. Well, it did happen the next year because the billion dollars of stabilization wasn't there and Chris Christie, you know, decimated schools.

Janellen Duffy: But I think because we had done all this work with the then very new Obama administration, to say, this is the magnitude of the problem and we can't just have these maintenance of efforts in all of these areas. We have to be able to—It's for education programming in some ways.

David Rousseau: And you said it before, New Jersey was unique in 2009. I guess Virginia was running, too. But you didn't have an incumbent governor running.

David Socolow: Right.

David Rousseau: New Jersey was unique in 2009, so the stimulus had to be good enough and flexible enough to help in 2009. And so things had to be tailored that way.

Janellen Duffy: Right.

David Rousseau: And, you know, Janellen would come up with something. And you say, "Oh, yeah, that's nice. And, you know, now what's in 2010 or '11?" Or whatever.

Janellen Duffy: <laughs> You're like, "It's not enough. It's not enough." Yes.

David Rousseau: You know, let's go back to the drawing board and get some flexibility.

David Socolow: Yes. Janice.

Janice Fuller: I will say I think the exercise that none of us wanted to go through if the government shutdown in 2006 and what our departments had to do to get ready for that [helped prepare us]. They had to look through every line, every program, every function of their departments and probably knew them better than anyone else had ever done. And I think it put the cabinet members and the staff and Treasury in a really interesting position to really know what to ask for and know what we could add funding to in a way that I don't think we would have been prepared for had we not spent all of that time getting ready to shut down in an organized and efficient way, to shut down government. And I think it really was this case study in really learning the departments that set us up to be able to ask for some of the things that we asked for.

David Rousseau: And to put it in perspective, too, remember, by the spring of 2009, now, we're dealing with a 2009 budget that has over a $4 billion dollar shortfall in it. And, and most of the stimulus money was focused on coming in after July 1st. I'm not even sure if we got them to bump F Map up a little bit because, to put it into perspective, that $4 billion dollar shortfall in Fiscal Year '09, we only got $750 million of it out of the stimulus money. It was Fiscal Year '10 where we got about $2.3 [billion] in budget relief. These are budget relief numbers.

Janellen Duffy: Right.

David Rousseau: So trying to focus on that, you'd be getting the numbers to help. So we didn't have to cut—well, by that point in time you couldn't cut. Municipal aid was all out the door by December. School aid, their budgets are based. You can't do these things. So we had to make sure that we got money through the door quickly as well as in the future.

David Socolow: Yes.

Governor Corzine: I think one of the things you could talk about with regard to the Recovery Act, though, is we didn't—it wasn't all about just stopping the bleeding. We tried to use money for advancing our environmental agenda and we were very aggressive in that and I think you carried the ball on a lot of that.

David Socolow: We did. One of the aspects of the Recovery Act was to try to invest in particular sectors and there was this whole particular focus on green jobs that were jobs that would be created from the infrastructure investments specifically related to energy efficiency, related to alternative energy, clean energy. And that we would need to train people for these new jobs. So there was an enormous investment in door to door efforts to weatherize people's homes. And there was going to be all these relatively easily trainable jobs, jobs you could train somebody for in ten weeks. We could get some job training money. We used some of our state money that we had as well as some of the federal money to stand up these green job training academies, which you [Governor Corzine] visited a number of them with me and we saw these folks, a lot of them people who were chronically unemployed. These are people who lack skills and were not generally participating in the economy before the recession. And these were a way to focus on a social justice agenda to get people trained for this new set of jobs that was coming forward.

The problem really was in the timing. Training people in '09 for a job that hopefully was going to materialize in the second half of '09 or the first half of '10 was just—a lot of it was really just not synchronized with where the need was. What we did was we set up those training programs to have stipends so during the ten weeks at least people were getting some income. Minimum wage, but they were getting something while they were training. Because if it's that versus working possibly at a minimum wage job, at least we could be getting people job training. The other focus that we had was on summer jobs. Carl alluded to the national history of creating direct employment that the Carter administration had and the one vestige of that that was left was the Summer Jobs Program that most cities have had now for three generations, which the federal government got rid of in 1998. The Republican Congress, one of the compromises they forced on President Clinton in reauthorizing the Labor Laws was to get rid of direct federal funding for cities to have those summer jobs programs for urban youth. And so they were all gone. And it was something that was desperately needed. In the summer of '08, we started our own limited program and then with the Recovery Act money in the summer of '09 we were able to put 12,000 young people to work at jobs over that summer as well as give them training while they were working in some of those new up and coming fields. We focused a lot on IT. We focused a lot on the green jobs and other things.

David Rousseau: I mean, I think the other part of it that helped on the priming of the pump and things like that were that the Build America bonds.

David Socolow: Yes.

David Rousseau: Basically, we were getting even a better rate than what we could have gotten at the State with this federal government subsidizing piece. And it could have meant that instead of doing $1 billion dollars' worth of projects, we could do $1.3 billion dollars' worth of projects and still spend the same amount of money we would have spent at $1 billion dollars, but that was another indirect benefit from those.

Janellen Duffy: Yes, there were other bond allocations that were included in the Recovery Act that went on to then benefit schools for the long-term like Qualified School Instruction Bonds, QSIBs, these were things that played out over the longer term.

David Socolow: Yes.

Janellen Duffy: And to the governor's point, obviously in the $17.5 billion for New Jersey, it wasn't just budgetary relief. There were a number of items including an increase in COBRA, of subsidies, food stamps, TANF relief. There was also an increase in Title I and Special Ed. So it really was very comprehensive. And I feel like I would be remiss if I didn't say, because I remember working on this for a long time, that you were particularly focused on making sure that—New Jersey had historically not gotten the return that it had gotten from D.C., in terms of the taxes paid in.

Governor Corzine: Fifty-eight cents on the dollar.

Janellen Duffy: Exactly.

<laughter>

Janellen Duffy: So we figured out the math and at the time, I looked this up yesterday, we determined that at the time New Jersey had about 2.7 percent of the population but we were getting 3.2 percent of the overall benefit of the program. And we used to say, we are doing everything we can to maximize this for the people of New Jersey.

Governor Corzine: Everybody knows that I was always bummed out about the fifty-eight cents on the dollar. <laughter> And it's even worse now, isn't it, I think, because of the new—

David Socolow: The new tax law. The SALT [state and local taxes deduction limit], yes.

Governor Corzine: SALT. And we need a bipartisan approach by all of us to attack that issue. But the use of the funds for long-term purposes—and I'm glad you brought up the weatherization program—but I just think the start of alternative energies in New Jersey really came out of the Recovery Act. We, I think, lead the country, other than maybe some of the ones in the Sun Belt, lead the country in use of solar energy. We were at one point ahead on wind farm generation or at least about to be. And I think we're about to get there again, which is terrific. But we used a lot of the Recovery Act to try to follow through on other things that we cared deeply about. And I think made some difference, some big difference.

David Socolow: Yes. Absolutely.

Governor Corzine: You know, one thing I did not talk about when we were talking about infrastructure and I wish Dr. Jacobs was still here, but one of the other things that we fought for—and this has a lot to do with what Carl worked on in our administration—was to try to get a plan to expand the overall economy on something other than a short-term basis. And we focused on biologics and pharmaceutical issues because we have the basis for that in our economic base. But we also have great research institutions like the Center for Advanced Studies in Princeton and a lot of research going on in the pharmaceutical industry. And we fought like crazy, which is—again, we lost on ballot—but the stem cell research effort which was designed to be the centerpiece of our work in that area. We buttressed it some with ARA money, but it is important that there is a strategic view of how you approach economic development. And you try to keep true to that in times of stress as well as times of plenty. And I'm sure, Carl, you're doing that now. But I was really proud. We kept a lot of the pharmaceutical companies here because of the efforts. And that's how we used much of our EDA monies and tax credit efforts at that time, both to expand and to save our basis. You might want to comment, Carl.

Carl Van Horn: Yes. This goes back before the recession. You announced an economic plan about a year after you became governor which laid out several things. One was reinvesting in urban communities, which by the way, wasn't as fashionable as it is now. It was very much not fashionable. I mean, to concentrate in there, we had the Urban Hub Tax Credit Program, which was concentrated on the seven large communities to really give powerful incentives to build around major transportation hubs. So a lot of what happened in Newark, New Brunswick and Camden and so on is a result of that.

Governor Corzine: Exactly.

Carl Van Horn: So that started. The other was focused on what we called the Edison Innovation Fund, which was pharmaceutical, biotech industry. And also they focus on small, women-owned and minority businesses, those groups that were being successful as entrepreneurs but having trouble getting access to capital in many cases. All of those continued during this crisis but got overwhelmed by the larger story.

Governor Corzine: Exactly.

Carl Van Horn: In particular, when it came to the Urban Hub Tax Credit, the New Jersey Economic Stimulus Act that you signed in July of 2009 expanded that and we started saying, hey, you know, we'll take development anywhere. <laughter> Because when you're in a crisis, you're going to change, right? And I think that that was where we first started to say, all right, not only that, but we're going to have incentives grants, to capture some incremental tax benefits. This is the Economic Redevelopment and Growth grant, ERG grant, which still exists today. That was when it was signed, at that point. A net benefit test was applied to that and so on and so forth. Now again, this is July of 2009 and obviously the benefits of any of that are not going to help you politically other than the advertising part of it which is, "Hey, we're doing this." But this really—I wouldn't say it buried your targeted initiatives but it expanded it, right, basically?

Governor Corzine: Yes.

Carl Van Horn: Because you had started very laser focused on the weak part of the economy or building on the strong parts as opposed to overall economic macro, on a state macro level economy. And in this context, looking at that whole crisis we were in, it made sense to shift. Because the unemployment rate in the summer of 2009 was almost 10 percent.

Governor Corzine: Exactly.

David Socolow: Yes. 9.8.

Carl Van Horn: So it had gone from—

David Socolow: 4.7 to 9.8.

Carl Van Horn: Yes. In one year. And access to capital was very difficult for large companies, let alone small ones. So it was really a situation of trying to do whatever we could to prime the pump at the state level that would not involve immediate expenditures. So without your tax expenditure. Because you don't have the money coming into revenue at that point. So you really shifted—you had to shift, I think—the economic policy direction.

Governor Corzine: Carl, can you refresh me? I think another one of the questions that students of state government will be interested in—and it's a little off the recession focus. But how did we use—I think I know but I want to go to the expert—how did we use tax incentives? How aggressive? Where were we on that spectrum? If you could describe it. He is not under oath now, so.

<laughter>

Carl Van Horn: But I am speaking for the record, so. <laughter> No, what the EDA was was primarily a bank.

Governor Corzine: Right.

Carl Van Horn: We were doing risky loans for projects, taking risk positions that were gap financing.

David Socolow: Mezzanine.

Carl Van Horn: Which is to get things done both with private sector and with the nonprofits. We were building—built housing, support housing in various parts of the state. So we were playing that role, which is what a public bank does. We could do that. The EDA was recapitalized, actually, during this process. Another $50 million dollars was put into that. Which, again, is a small amount of money, but getting into that gap financing position is helpful. It also allowed us to invest, again, to give loan money to entrepreneurs, small, women and minority-owned business that weren't getting access to capital. So that was the major portfolio. There were some small incentive programs and again, in the first couple years—the first three or four years or three and a half years—the Urban Hub Tax Credit Program was the biggest incentive program and that was just going to a small number of places.

David Socolow: Tiny.

Carl Van Horn: It was very generous, but it was meant to turn around those cities.

David Socolow: Distressed communities.

Governor Corzine: Right.

Carl Van Horn: Distressed cities that were hurt. And again, the gods were with us in terms of the way the economy changed. But at that time, again—people [now] think, oh, yeah, everybody wants to be in these places. Not then.

Governor Corzine: Yes.

Carl Van Horn: That was not true. I remember when Mayor [Cory] Booker came to you and—then Mayor Booker—said, "Can you help me get a Starbucks in Newark?" I mean, that was— <laughter> Right? I mean, that was a very different time.

David Rousseau: But Carl, I want to add that we also had to be careful during that period of time because with the Urban Transit Hub on the books at that point in time and then when ERG comes later, that people didn't try to come in and take advantage of us for the governor to get that headline that says, "Okay, I'm bringing in," you know—

Carl Van Horn: Whole Foods.

David Rousseau: Right. Because who was it—it was BlackRock, wasn't it?

Carl Van Horn: Yes.

David Rousseau: Blackrock. I remember sitting in a conference room in the Heldrich Center with the late Caren Franzini and the lawyers from Taxation with BlackRock, who was considering moving from West Windsor to basically build a massive complex next to the train station in New Brunswick.

Carl Van Horn: In New Brunswick. Right.

David Rousseau: And I think they understood they had us over the barrel, basically. And they would keep on moving the line every time we would do it. And eventually, the economy collapsed even more where both sides walked away from the table. But we had to make sure we watched during that time. Because remember, Urban Transit Hub had just been created.

Carl Van Horn: Yes.

David Rousseau: The stuff we had before that, BEEP and BRAG, were—

Carl Van Horn: Right, they were very small.

David Rousseau: They were like, to use a baseball analogy, they were like single A benefits. And we had to be careful that people didn't come in and say—especially in an election year—say, "Hey, give us the store and you can announce this." And we did a good job, EDA and the governor, with your leadership, with all of us. Because I remember sitting in that room with Caren and with people from Taxation. Because there were things that the Taxation Director could do. But every time we thought we had a deal with them, they'd come back 48 hours later and say, "Oh, wait. Can you do this?" And luckily, we didn't succumb to that.

Carl Van Horn: We tried to reach some regional agreements, if you recall, Governor, with the mayor at the time to—.

Governor Corzine: Yes.

Carl Van Horn: —to deescalate the competition. But that, during that period—

Governor Corzine: That was mostly—I mean, it was generated by CNBC, I think.

Carl Van Horn: Yes.

Governor Corzine: Which we kept. I thought we gave GE some tax credits and—

Carl Van Horn: I don't remember.

David Rousseau: They had come in under BEEP, I think. And then I think we had to give them something to—

Carl Van Horn: Right.

Governor Corzine: Right. It was the BEEP.

David Rousseau: They originally had come in under BEEP before that. It was them, MLB and all those other places that had come in. And I think we had to then give them something else to say, "Well, BEEP's fine but now New York's offering me this."

Governor Corzine: Yes.

Carl Van Horn: But I guess the broader narrative of this to come back to is that I think it's really—as you suggested before, Governor—other things that were born during this period. I think one of the things that was born during this period was an open checkbook to incent people to move to your state because of the desperation around the country. In other words, if you look historically, New York had always had some generous incentives, but it was unleashed in a sense by the Great Recession, that—the pie is shrinking and so they put more dollars into that. And that's the consequence of that which we're living with now. I mean, not just in New Jersey, but around the United States.

Governor Corzine: When you're back in the world of academia, this is one of the great subjects for students of state government and others. And it's complicated. It's not always obvious and it's very important to keep your ethos with it. I totally embrace that view. But we live in a very competitive world and if you don't react you also can end up on the sidelines.

David Rousseau: Another one going back to the previous panel, but just think, if we hadn't been doing the Turnpike widening, just think about how many construction workers wouldn't have been out there. We had some major construction projects going on in the state that had started before the recession. We had the Turnpike widening. We had Xanadu, American Dream, whatever it was.

<laughter>

Is, was. We had Revel. And in the Mercer Country area where I live, you had Princeton University—you know, the new hospital for Princeton and the new hospital for Capital Health that were at least keeping people working. Now, once those went away, the problem was there wasn't a next big project for them to go. And I remember, we tried to have to deal with fixing that, come up with a way to keep Revel and Xanadu, whatever it was called at the time, going. And I mean, we even looked at investment from the pension funds and things like that. And you ultimately said, no, you weren't willing to do that to prop those private projects up.

Governor Corzine: In all fairness, I want to be clear—I mean, it's important in an educational context. Xanadu was a complicated issue for me because my best friend and former partner at Goldman Sachs was the major stakeholder. And so I think most of you will recall that I recused myself on any decisions about it but also was very clear that, you know, better have 15 steps of propriety to be able to get to the right situation on that. These issues and particularly in the context of a recession when you're really desperate—I mean, you're reminding me about the BlackRock situation, which I thought was a home run for the state, just got pushed to a point where there was no ability to justify it to the citizens. But there's enormous pressure to do that.

Carl Van Horn: Right. And now we have the example of Amazon, the way they played states.

David Socolow: Yes.

Carl Van Horn: New York, New Jersey and all over the country. And what we don't know is, is that the playbook of the future? Because it certainly could be.

Governor Corzine: Carl, you're quite lucky that that wasn't on the table when I was governor.

<laughter>

Because I would have been in your office every minute.

<laughter>

You would have had to bring Ron [Chen] to make sure I didn't step over the line.

<laughter>

Because if it could have been in Newark—which there were plenty of reasons to argue for it to be there—it is a game changer for a community in my view.

Carl Van Horn: But the way they ran up the tab is what I'm talking about.

Governor Corzine: Oh, it was ridiculous. It was ridiculous. But, you know, those are the hard questions of governing, though. How do you measure when you're doing those things and making sure that you're transparent and clear, that you're representing the public interest? It's one of the great things about being governor is you actually ultimately get to make the calls on these kinds of things.

David Socolow: Mada, do you want to come to the microphone?

Mada Liebman: I just wanted to ask, I was in the Secretary of State's office during your Governorship, which had an overview of tourism. And I recall when the crisis was going on that our office was making the case that tourism is a huge—promoting tourism, spending money to promote tourism—is a huge money driver. Everything from the Camden Aquarium to Palisades Park and everything in between and all of the history that is in New Jersey. And all these other issues that you're talking about have a more obvious, maybe, and immediate impact on people's lives, but I wonder if you think that that's something that is good to promote? And especially, it was a time—I think the phrase that we were using was a "staycation." You just, you stayed in New Jersey.

Governor Corzine: Exactly.

Mada Liebman: And you paid the tolls to go from one end to the other. <laughter> But you can do a day trip. From the shore to the mountains. So I just wanted to inject that and see if that ever was really—because I do remember one conversation that was, we need to spend the money on school lunches rather than on a ticket to a show, which was sort of not an analogy I would have said. But, anyway, just a thought.

Governor Corzine: I do remember that we were promoting the staycation in that environment and I think history would show that the demand on the Jersey shore and local travel goes up substantially in these kinds of environments because people can afford it. You know, our camp grounds are more full and there's a lot of things that don't hit the public's eye that are actually kind of important in this environment. And I think we're drawing some of that out.

Mada Liebman: And the other thing that I do remember, all of the environmental initiatives that you were talking about, the environmental lists generally were particularly focused on Petty's Island and [they] were not happy with that. And so that didn't cause them to embrace the programs that one would have thought they would have.

Governor Corzine: True.

David Socolow: Interesting. So, Governor, we have 15 minutes. I want to talk about [the time] as we're planning for a reelection campaign. So that is obviously going on with this in the backdrop. And presumably a campaign reelection strategy was developed and maybe was changing as time went on. And I'll invite people around the table to talk about that, but if you have any introductory comments on it?

Governor Corzine: Well, I think it wouldn't take a genius to figure out that we thought getting access and support from the federal government was the first, second and third level element of good deeds for our state but side benefits for yours truly in a reelection campaign. And in all fairness, I think the President and the Vice President were very well aware of the political reality and cooperated as well as they could within the legitimate allocation of resources in a way that as best could be had in an environment where 4.6 to 10 percent unemployment is occurring while you're running around shaking hands and telling everybody what a great governor you are. I think they were as fair as they could possibly be with the state. And quite frankly, I had forgotten this list. And I remember what we've done on page 7.

<laughter>

I want another announcement. This all ties together. And, you know, I'd get a meeting with David in the morning to tell me that we're down another $1 billion dollars in revenue. And we'd try to figure out how we were going to resolve these issues. And as I said in the first session, sometimes you're a creature of the timing and when you address the issues. And fortunately, I think we had great people—forget about me—but everybody else. And the fact was we had a horrible time to try to operate in the political forum for reelection. That said, I think we had a voice that helped America, too. Because we came close to getting to a trillion dollars. And as I recall, the alternative wasn't a trillion, it was $500 [million] and I think we got $780 [million] if I'm not mistaken. And I feel like [we] had real impact on that and how it was distributed, not so much just to New Jersey, but for, again, principled purposes in the long-term. And I think the whole argument that came out of this, which I hear echoing back into the world, about shovel-ready projects that weren't really shovel-ready was nonsense. There were so many good places to expand. I mean, what was that, cars for cash or junk?

Janellen Duffy: Oh, right.

David Socolow: Cars for clunkers—no, Cash for clunkers.

Governor Corzine: Right, Cash for Clunkers. It probably wasn't such a good idea, but—

<laughter>

Some of the other things that were a part of the fundamental form and I think this administration had a real say in it and I think that's one of the major responsibilities of an administration in representing its state, to be on the schedules of the people that make a difference on these issues in Washington.

I would say that my second observation is there is still more work for us to figure out contingency planning. I do understand building up rainy day funds and there'll be good debate, and there should be, among the graduate students who think about budgetary policy. But I think there needs to be a lot more work on how you have contingency plans and it probably has to do with hiring people. Whether our $3,000 dollar credit was better than the idea of hiring somebody for raking leaves, I don't—I think there's a way to be more impactful in a hurry in these bad situations that I don't think the plan is on the shelf. I think the plan is on the shelf for the mild recessions, [but] there are no well-thought out reactions [for the more serious ones]. So I turn that one back to the academics to actually flush out and think more cogently about.

David Rousseau: Governor, at the time when we were making decisions to, like you said, exhaust all the federal stimulus money in one year and things, I had in the back of my mind—and I don't if you had it as well—is I, and I mentioned this to David, I always thought that—and some of the things you've said here before feed into this—that in the next year with a third of the U.S. Senate up and how many other governors up in the country, and with this slow recovery, that there would have been another, ARA II or whatever, that maybe brought the other $400 million dollars in to get it over a billion.

David Socolow: To get it over a trillion.

David Rousseau: To get it to a trillion or slightly—right. So in the back of my mind thinking that when you were reelected, okay, we'll get a second one and we won't have to make up a billion, we'll only have to make up $600 million. But I think the more I go back now and think about other things: like you said, the birth of the Tea Party in 2008; how Obamacare was passed with just with basically on a pure partisan vote. It ended up that the waters had become too muddy in 2010 for another stimulus. But at that point in time, in, early 2009, I guess, I'm thinking, well, wait a minute. Maybe with all these other people up for reelection next year, there's going to have to be another stimulus.

David Socolow: Interesting.

Governor Corzine: Well, the economic analysis would say that there was another economic stimulus. It was the Federal Reserve taking interest rates from 7 to virtually 0 in probably the fastest pace that ever occurred. And plus they were buying the national debt at the same time.

David Socolow: <laughs> Quantitative easement.

Governor Corzine: And quantitative easing, so. I think that the response was truly substantial. Maybe not in the way that we would have wanted it for budgetary purposes, but from the standpoint of getting the economy going, I think that in fact the stimulus was really quite substantial post-our timeframe. And I think we're benefiting from that even now, as it runs its course. Monetary policy takes a long time to run through the system and we actually just got back on another string of monetary stimulus that will probably carry through for the next couple of years. Anyway, that's my only comment. And at some point somebody in Washington's going to figure out that it's fine to have deficits but, modern monetary theory that says you can issue all the debt you want and have the Federal Reserve buy all the debt you want probably is a questionable theory that some day will come home to roost as the interest rate rises because the crowding out in the current circumstances could be quite serious. Whether it ever occurs, who knows. But if you had a rise of 200 basis points in interest rates, our economy would be a complete fiasco now. You haven't had bankruptcies. You haven't had any challenge to financing the federal deficit. And I think the problems that we've experienced to some extent would roll into the problems that exist and would be existing at the federal level.

David Socolow: Wow. Tom, did you want to talk at all about how this was looking?

Tom Shea: Well, you sort of talked past it a little bit, but I'd just come back to you on that. You know, I think some or a lot of this is fairly obvious, but it's like the governor said, you don't have to be a genius to figure out that you'd rather be running when unemployment is at 4 percent instead of at 8 or 9 percent.

Governor Corzine: Try 10.

Tom Shea: <laughs> But it's also a lot easier in hindsight now to sit back and look at it. And I think we felt like we were in a tough situation economically both in the state and in the country and felt like that was presenting some challenges in the campaign. And it was particularly rough in the summer. But I don't think-- and now, it seems if you look at it in the context of losing both of the governorships in New Jersey and Virginia in 2009 and more than 60 seats in the House of Representatives from 2010, which was I think probably the—

Governor Corzine: We also lost Kennedy's seat in the Senate in 2009.

Tom Shea: —one of the biggest swings in probably, you know, over 50 years in the House. And now it's easier to look back in context. But at the time, like I said, I think we were feeling like were in a tough situation economically in the State and there were clearly some tough moments in the campaign over the summer. But still at the time, we thought that it was still an environment that was survivable. And I think only now in hindsight you have a better sense of what a difficult time it was. And as the governor said, the administration and the President and the Vice President were certainly helpful in terms of the stimulus, not that that was focused on New Jersey in particular, but they were also helpful politically in coming into the State. But I think to be quite honest, they were up against basically the same forces that we were at the same time, which I think you saw in the 2010 midterms.

Governor Corzine: Tom, you'd be a good person to ask. I think one of the things the first session ultimately was about asset monetization, but I think one of the reasons that I got elected as a Senator and then as Governor is people thought I could bring financial expertise to the process. I am not sure that I didn't spend all my political capital on asset monetization, which left us in a more compromised position at the time of the recession, which we don't have anything to do with, but—

Tom Shea: I think that's right, but I think it's even more than that, too, is I would say that—

Governor Corzine: Or my credibility. I mean, maybe my credibility—?

Tom Shea: No, but I also just feel like as an organization, as a political entity, between the asset monetization fight and your accident both, that we weren't—We sort of weren't operating at full strength. We didn't have momentum. We didn't have the same kind of momentum we had in 2006 and 2007 when we were sort of on the upswing. Your national reputation was growing. And then between the accident and the asset monetization, I just think we weren't weren't on the front foot, as they say in soccer. I think we were operating on the back foot I think at that point in time.

David Socolow: Janice.

Janice Fuller: I think, too, in New Jersey we're used to—since we're the off year elections, we're kind of always in our bubble where no one's paying attention and we can kind of operate in what's going on in the State. And your reelection year, there was so much else going on that people were reacting to, in a way that I don't think in years past in gubernatorial cycles that we necessarily had to factor in in terms of what was going on in the nation and on the federal level impacted your election, too. And how people were voting when they went there. It wasn't just about you. In ways New Jersey's not necessarily used to.

Alfred Doblin: You know, I think the other thing that was working against you was that sort of anti-corruption engine that Chris Christie was working statewide that so many, so many people were being successfully convicted, more Democrats than Republicans—although even Christie would say that it's just that was just because there were more Democrats in office.

<laughter>

But there was this wave of wanting to just change. And I think your administration, which wasn't mired in any level of corruption, just sort of got caught up in some of that wave of, we just want to change and the Democrats—you know, look at these State Senators. Look at these assembly people. And it goes back to your point of where you are at a particular moment in time. I agree with Tom about the momentum lost because of the accident.

Governor Corzine: Exactly.

Alfred Doblin: But the whole climate in New Jersey had changed,, I think in a way that even if you had the momentum, I don't know if you could have pushed against the populist spread and this sense at that one window in time that the Democrats were the least honest of the two parties and we want a new change. And you just sort of were the person up for election.

Governor Corzine: Well, the thing that people don't really focus on, populists—now they're beginning to in the current primary season in the Democratic party. But the populism on the left in the Democratic party is as serious as the populism on the right is and it leads to lots of anger. There's lots of anger in both pots and I think we got it from both sides and the corruption issue worked on both sides of that.

Tom Shea: I mean, I think you're right, but I think it was one of the things, not the thing. But it contributed to what the overall environment was like in the state and I think it was specifically timed for that purpose.

<laughter>

Governor Corzine: I have this argument with my wife, who's sitting in the back, all the time, though. At the end of the day, what we're talking about here is what lost the election, in my view. I think trying to run for reelection when unemployment goes from 4 to 10 percent and your budget is gone missing $4 or $5 billion dollars' worth of potential expenditures at a time when—you verbalized it inadvertently before, David—you said you want to be conservative and competent in your third year budget. And there's a reason, because on the fourth year budget you want to be out there cutting ribbons and going crazy. And we had just the opposite. We were lucky if we could find a church that we could cut the ribbon after they took up the collection.

David Rousseau: But what Tom just said was the key to the whole Christie issue, too. From the minute he became U.S. Attorney, he was working on a timeframe and to get to be able to run as that anti-corruption [candidate]. I mean, the Joe Doria stuff and stuff like that that he did was just totally outrageous.

Governor Corzine: Okay, all right.

David Socolow: Carl.

Carl Van Horn: I would just go back to echo the governor's point. I mean, back in the day, I did study political science and I can tell you that all the other stuff, other than the economy, is decimal dust. What explains election success for incumbents is the trajectory of the economy and yours was going in the worst possible direction. I mean, look at Obama. He got reelected, but it was getting better. It was trending positive. It was still a real serious problem, but it trended positive and he benefitted enormously from that. So governors do not get reelected, presidents do not get reelected, when the economy is tanking. I don't care what you do.

Governor Corzine: And this was a super tank. This was a tank on steroids.

Carl Van Horn: It was a super tanker. And the fact that you came close is because incumbency matters a great deal. And it's a Democratic state. But I mean, under most any circumstance an incumbent does not get reelected when the economy is doing bad. So I think all of this other stuff is just noise. It really had to do with the worst economy in 70 years and we can't forget that.

Governor Corzine: Carl, I'm going to have to have dinner with you and Sharon a regular basis.

<laughter>

Tom Shea: I mean, I don't disagree with that, Carl.

Carl Van Horn: No, I know you don't.

Tom Shea: I think you're absolutely right. But all we're saying is that particularly in that environment then these other things you really can't afford to have going on simultaneously while you're already fighting up that hill.

David Socolow: Yes. Well, thanks to everyone for the participation and the conversation. Thank you to Governor Corzine for your leadership. I think that this discussion shows how much you are focused on individuals' circumstances, the real human pain that went on in the Great Recession. And while we're analyzing this for the purposes of students and historians, we were living it. We were seeing what people were going through and no one understood it better than you did. So thank you.

Governor Corzine: You did a good job, too.

<applause>

Governor Corzine: Thanks, everybody, for being here.