

FIFTH ANNUAL MESSAGE

(Read in part, with additional material, by Governor Byrne to the first joint session of the 198th Legislature, Second Session, in the General Assembly Chamber in the afternoon of Jan. 9, 1979. Headings are from the text of the message as it was printed.)

New Jersey sets the Pace for the Nation.

New Jersey sets the pace. In the past five years, New Jersey has answered many critical problems before other states confronted them.

We have resolved problems of government spending, school finance and tax reform; problems of the cities, jobs and easing racial tension; problems of protecting the environment, preserving open space and developing pride in our State.

You and I, the Legislative and Executive branches, have participated in one of the most exciting and productive periods in New Jersey history. In the past 12 months, we have been successful in enacting a modern penal code, unifying and improving the court system, bringing increased professionalism and efficiency to administrative hearings and in containing health care costs.

The rest of the nation now looks to New Jersey for leadership. For example, other states agonized in 1978 over taxpayer revolts, drastic reductions in revenues and cutbacks in critical programs.

However, in 1976, we set the pace by pioneering in controlling government spending. The caps on State and local government enacted as part of the tax reform program, accurately anticipated the legitimate public concern over spiraling spending and taxes.

We have also set the pace in cleaning up our environment and revitalizing our economy.

Our air and water are cleaner, the economy stronger and fiscal picture more stable. Government is honest and run on a more business-like basis. We are fighting the battle against urban decay.

As a complex and varied state, New Jersey resembles the nation in miniature: cities, suburbs, farmland and forest; lakes, mountains, rivers and seacoast; people with high educational levels and job skills and others seeking to develop those skills.

We have arts, the theater, history, major league sports and major league resorts.

During my Administration, we have applied principles of

economy and efficiency in managing our school system, energy resources and government finances. We must rededicate ourselves to the application of those principles to the operations of State government.

Just as the people of New Jersey reexamine their budgets and checkbooks to find out what they can afford, we must reconsider whether we are spending the public's money wisely and determine what we can afford. Government must stop trying to do better than it should not be doing at all!

We must stop regulating activities where regulation imposes costs without commensurate benefits. We must make better use of public buildings. Schools, for example, can be used for many purposes other than formal classroom instruction. We must avoid wasteful duplication by consolidating services of State agencies.

We have shown that we can be faithful stewards of the public's funds while meeting vital social needs. Fiscal prudence and social progress are not opposites, but the two essentials of effective government. The public deserves both fiscal restraint and imaginative programs.

During this year, we have led the way by living within our budget while providing such progressive measures as the Pharmaceutical Assistance for the Aged Program and improved care of the mentally ill and retarded.

What I ask of you this year is strong, decisive action on critical issues.

I do not come before you today with a long laundry list of bills to be passed. Rather, I shall submit to you a list of laws to be repealed.

As I have suggested, we should cut unnecessary government regulation, not extend it. My goal is to reduce the number of laws on the books, not expand them. It is time that New Jersey went on a legislative and regulatory diet. My challenge to you is to repeal a law for every one you pass.

Our challenge is to find ways to continue government programs that care for human needs but keep costs in balance. By doing this, New Jersey will continue to set the pace as a leading progressive state.

Protecting and Promoting Jobs

In the past three years, the New Jersey economy has staged a remarkably strong comeback from the depths of recession.

Some 260,000 more New Jersey people are working today than in 1975 at the recession's low point. New Jersey has added 77,000 jobs for New Jersey residents in the past twelve months alone.

New Jersey's sound financial base, its skilled and productive workforce, and its large consumer market have made the State more attractive to business expansion. The repeal of four regressive business taxes which had deterred economic invest-

ment has markedly improved New Jersey's business climate. The combination of a stable tax structure and increased government attention to business has brightened our economic picture.

In the next twelve months, you and I must concentrate on further economic growth. Stimulating new jobs remains the State's top priority. Our economic initiatives must continue to focus on generating new jobs for New Jersey residents. Our aim must be to stimulate employment for the three and one-half million people in our workforce.

This new employment is best located in distressed communities where it is most accessible to those who need jobs. And this economic growth must be consistent with sound environmental principles.

In 1978, I convened the Governor's Conference on Economic Priorities for Jobs Creation. For two days, business, labor and government leaders cooperated in devising an action agenda for New Jersey. Of 46 Jobs Conference recommendations, I have implemented or begun to implement 39.

We must review the laws directly affecting employment, specifically worker's compensation and unemployment compensation programs. This is the year when I expect the prior study of these areas to result in decisive action.

Construction jobs also will result from passage of the \$325 million in bond issues approved at the polls last November.

Finally, one further area shows promise for economic development. Fishing has fallen behind in recent years as a major employer and contributor to New Jersey's economy.

Promoting the commercial fishing industry with the help of the New Jersey Economic Development Authority will be a major 1979 priority. I urge the passage of legislation organizing and modernizing the management of marine fisheries in New Jersey.

Cities

A year ago, I announced that I would create an Urban Growth Task Force to assess New Jersey's progress on urban problems. I kept that promise, and in October a cabinet level study headed by the State Treasurer concluded that much has been accomplished already in sparking a comeback for New Jersey's cities.

We were the first in the nation to assist cities in obtaining "A" ratings and low interest rates in the bond market through the Qualified Bond Act.

Property taxes in most cities have held steady for the past two years, and homestead rebates are issued annually to 1.4 million families throughout the State.

The New Jersey Housing Finance Agency is the national leader in Section 8 federally subsidized housing and in 1978 completed the largest bond sale for such housing in the country.

New townhouse units have been dedicated in Newark that are

as fine and attractive as anywhere in the State. About 3,100 urban housing units were built or committed to be built in the past year. In Atlantic City, we broke ground for 750 units of HFA subsidized housing.

New Jersey was the first to implement a neighborhood loan program and the New Jersey Mortgage Finance Agency was one of the first to introduce a home improvement loan program. Our urban aid program includes 31 cities.

New Jersey last year was among the first to start a cash management fund to help localities obtain high rates on short term investments.

New Jersey supports more than 60% of urban school costs and more than one-third of the public spending in its cities. The State pays 76% of the school operating budget in Newark, 72% in Paterson and 79% in Camden. These costs would have been higher if private schools did not educate 215,000 students for us.

Major urban achievements this past year were recorded when government and private sector cooperation resulted in decisions by Johnson & Johnson to build a new world headquarters in New Brunswick and Public Service Electric and Gas to rebuild in Newark.

This Administration and this Legislature authorized the Port Authority of New York and New Jersey to use its financial muscle to begin developing urban industrial parks.

The New Jersey Economic Development Authority, already focusing its loan guarantees in urban areas, broke ground for the State's first industrial park in a city. This Jersey City project is to be followed by others in urban areas throughout the State.

At New Jersey's urging, President Carter and Congress also approved the construction of a Veteran's Administration hospital in Camden, as the focal point for urban redevelopment in that South Jersey city.

And the State of New Jersey demonstrated a major urban commitment by beginning construction of a Justice Complex in Trenton. That decision offers the promise that new housing and commercial development may follow in the capital city.

The Legislature and the voters, as well, recognized urban needs in approving a \$200 million Green Acres bond issue, the first in the State with funds specifically committed to urban parks projects. Half of this bond issue will go to cities.

All of these decisions will mean not only jobs but permanent improvements to urban areas.

They were done under an urban strategy, enunciated by this Administration and endorsed by this Legislature, of carefully redirecting our resources to the cities.

And many of these advances also carried the important ingredient of involvement by private industry.

The initiative of government and the support of private industry

are both essential to the success of projects like urban industrial parks.

The encouragement of government and the imagination of private industry will make a new urban economic investment a reality.

Coordination and targeting of government investments can produce greater returns when followed by private housing and commercial development.

Government's financial resources are restricted by the public mood of austerity. Consequently, the role of the public sector must be that of a catalyst.

In the coming year, the State's urban efforts will continue in this fashion of individual attention and coordinated promotion of the assets of each city.

In addition, State aid formulas must be revamped to simplify programs and target aid to the communities most in need. A committee of mayors, from communities both large and small, has been designated to recommend how this can be accomplished.

The utility gross receipts and franchise tax distribution formula must be reworked to return funds to municipalities in a more equitable way. A permanent tax policy commission should be created to recommend ongoing improvements in the tax structure.

To the extent possible, we shall try to fill the void created by the loss of federal funds to the cities.

In addition, the cities should have a first call on any excess State funds we can develop. We must reexamine all formulas for State aid to determine whether those in need are fairly treated.

Payments of State funds in lieu of taxes to municipalities may be logical. However, those payments have no real relationship to need. As a result, the provisions for payments in lieu of taxes may have to be revised into a more responsive State aid program.

I ask the Legislature and the Capital Budgeting and Planning Commission to develop a capital improvement program to facilitate innovative urban development projects tied to private sector investment. The projects could include urban industrial parks, food centers, fish processing facilities, housing and cultural, civic or convention centers. This proposal will follow recommendations of both the Jobs Conference and the Urban Task Force. It will maintain the momentum to rebuild the aging downtowns and to revitalize the economy.

Also, New Jersey, directly and through the Coalition of Northeast Governors, will work this year to correct inequities in the Federal funding program that penalize the cities.

Further, I will do the following:

1. Consolidate State agency efforts into a concentrated strategy for individual downtown neighborhoods and blocks.

2. Encourage local governments to devise comprehensive solutions to their problems. We will do this by expediting State review and by providing technical and financial assistance for innovative projects supported by the private sector.

3. Bring nationally recognized architects, planners, developers and other experts to help individual communities with their problems.

4. I will request the Economic Development Authority to provide assistance to distressed communities as a first priority. More assistance should go to urban areas.

5. The State will encourage major private developers to locate in developed areas. The State will provide technical support and assistance in assembling and clearing property for widescale redevelopment. Major industries need larger sites if they can reasonably be expected to build and expand in the cities.

6. We will provide low interest loan assistance through the Economic Development Authority to aid store owners in rehabilitating store fronts to make shops part of a comprehensive design which gives new life and interest to our downtowns.

7. The State will target capital construction to distressed communities. New highways, sewers and mass transit facilities will be constructed only if adverse impacts on urban areas are considered.

8. The support of public transit programs and facilities must be a key component of community revitalization as the focus of commercial development. I will direct the Department of Transportation to work with other State agencies to assist municipalities in developing railroad and bus stations into multi-use transit and commercial centers including offices, restaurants and shops and to give priority funding for State highway aid to urban areas.

9. We must make better use of our schools as centers for community life. It not only wastes public funds for school buildings to remain idle during non-school periods, but we are missing the opportunity to make the school a true community center for neighborhood activities for all residents. We will attempt to make New Jersey a national model of how school facilities can be used as the center for neighborhood revitalization.

In the past year, New Jersey also witnessed the advent of casino gambling. We are experimenting with this concept as an economic development tool to return Atlantic City to its rightful place as the queen of resorts.

Law enforcement agencies have been vigilant in detecting and

preventing organized crime elements from becoming involved in Atlantic City liquor and gambling businesses.

The issue in Atlantic City remains one of economic development. Atlantic City will be developed according to promised standards or it will not be developed at all. A year ago, I said I would be a salesman for Atlantic City, and since that time I have met personally with representative of numerous hotel chains.

As a result, several chains are actively considering investment in what is destined to become an attractive resort city while retaining its family oriented recreational attractions. Numerous applications for casino licenses have been submitted, and new first class hotel rooms in Atlantic City may increase by 3,000 or more.

With this special attention to the cities, the State's urban economy should grow as the State's economy grows.

New Jersey Becomes a Leader In International Trade

New Jersey continues to be attractive to foreign as well as domestic investors.

The State has a strong research and development base. It was in New Jersey 100 years ago that Edison invented the incandescent light bulb. New Jersey this past year was the home of two Nobel Prize winners.

Our location and attributes have made New Jersey a leading state in reverse investment by foreign companies. New Jersey is now third among the states in reverse investment.

This year, however, we must concentrate on expanding the markets for exports of domestic products to foreign countries. New Jersey is now ninth among the states in exports.

Exports can and should be a major part of the State's economic growth. Small and medium-sized businesses can be assisted in developing foreign markets for their products.

As vice chairman of the National Governor's Association Committee on International Trade and Chairman of the Coalition of Northeastern Governors, I will work to influence national policy to facilitate international trade. As Governor of a state with exports to market, I will work personally to assist this important sector of our economy. Specifically, I shall ask the Department of Labor and Industry to conduct seminars for small and medium size businesses seeking to engage in international trade.

Last month, I formally dedicated a New Jersey International Trade Office in the lobby of One World Trade Center.

At the request of business leaders, I have agreed to lead a trade mission to West Germany this spring. I recognize that a single effort alone may not be sufficient to attract major new foreign capital or develop new export markets. But I also recognize that we must begin to step up international trade promotion to expand our economy and reduce the deficits in the balance of payments.

New Jersey will set the pace for State government outside as well as within the United States.

Transportation

Vital to the strength of the economy is an efficient transportation system: rail and bus, trucking, shipping, and air transportation. These are all major segments of New Jersey's growing economy.

We are completing a missing link in Interstate Route 195 in Ocean County. Also, we have begun construction of the final segment of Route 280 in Hudson County, unplugging the log jam in Newark; and have seen progress on Route 18 in New Brunswick, Route 767 in Camden and Route 169 in Hudson County.

The State Department of Transportation exercised an option to buy 374 miles of railroad right-of-way and 130 station properties to better protect commuter and freight systems. I am awaiting a report on the feasibility of replacing Conrail as the State's railroad operator.

Newark's International Airport continued to experience phenomenal growth in 1978. Some 128,000 flights used the airport, for a five percent increase, and passengers increased 16 percent to 8.5 million.

Progress is anticipated this year on highway access to Trenton, Newark and New Brunswick. We have commitments for major improvements this year at Newark's Penn Station, the key link of a major mass transportation network. The rehabilitation and transformation of this station into a clean, modern, safe and attractive bus and rail center is essential to the revitalization of one of New Jersey's oldest and most important business centers.

Most importantly, I ask the Legislature for authority to impose rationality and coherence on bus transportation in the State. A balkanized bus system does not serve the public interest.

The present system of antiquated franchises operated on routes that no longer make sense is no system at all. The transfer of the remaining bus and rail supervisory authority in the Board of Public Utilities to the Department of Transportation this past year was an important regulatory step.

But the State must have another option than merely continuing bus subsidies to maintain an inadequate status quo.

The State now owns most of the buses in the State. And it subsidizes the bus industry operations in the amount of 34 cents for every bus ride. But we do not control the management of the bus lines.

We need the option to replace the management when all efforts to improve service and improve efficiency have failed. This will be a major legislative priority for 1979.

We must begin to bring the subsidy program under control by

replacing it with one in which the State, acting directly or indirectly through an independent corporation, controls not only the assets it already owns, but the management of those assets as well. I intend to submit legislation for your consideration.

If the State is to bear the responsibility for bus service quality, it must have the power to control service quality!

Energy

Energy is a major factor in our continuing economic growth. Exploration in 1978 for energy reserves in the Baltimore Canyon 75 miles off Atlantic City is encouraging.

The State Energy Department is aggressively seeking onshore support sites for the oil industry in the event the discovery proves economically marketable.

But besides fossil fuels, there must be greater efforts to develop alternate energy sources. The technology exists for a far greater use of solar energy, especially for hot water heating, but economic incentives must be created. I have signed into law a measure giving property tax abatement for solar heating units.

I propose that the Mortgage Finance Agency expand a program with private lending institutions to provide low interest loans for solar heating units in private homes.

In addition, the technology exists for converting solid waste into marketable resources and energy. Economic incentives must be created this year to use garbage as a resource rather than a burden, consuming landfill after landfill.

Arts

Directly and indirectly, New Jersey is enhanced by a variety of artistic, cultural, historical and recreational attractions.

At the Garden State Arts Center and other theaters, national performers joined the New Jersey Ballet, the New Jersey Symphony Orchestra, the New Jersey Opera and individual artists to provide another season of outstanding entertainment.

Even with the passing of the Bicentennial, public interest remains strong in Pre-revolutionary historical sites like the Batsto iron mining village and the sites which commemorate New Jersey's past as the "Crossroads of the Revolution."

As our latest innovation, regular ferry service will begin this spring from Liberty State Park in Jersey City to the Statue of Liberty. Liberty Park will be developed to its fullest potential and by the end of the century, will be a national showpiece.

The next year also will see progress on an arena at the highly successful Meadowlands sports complex, further establishing New Jersey in major league sports. This project will mean construction jobs now and permanent employment when it is completed.

New Jersey sets the Pace in Law Enforcement

One area where New Jersey has made dramatic progress is in law enforcement.

The combined efforts of State and federal authorities and the support of the Legislature in providing strong law enforcement tools have sent organized crime on the run.

Aggressive pursuit of official corruption cases and stronger penalties enacted by this Legislature against such crimes have made integrity the mark of New Jersey State and local government today.

The crime rate for most major offenses, especially in the cities, has leveled off and begun to decline.

The Legislature took one of the most significant steps in 1978 by passing a comprehensive new criminal code that not only updated, but improved the criminal laws of the State.

Some victimless crimes were abolished, determinate sentencing was imposed for major crimes, and some penalties were tailored to fit the crime and the criminal.

No longer will a judge be authorized to sentence to a minimum-maximum term, but rather will be required to sentence to a definite, precise number of years within a range established by law.

We took criticism for enacting longer jail terms for some crimes and for wiping some others off the books. But we can be proud that we faced a difficult issue, struggled with it, and produced the best penal code of any in the nation.

The challenge this year will be to see that the penal code is implemented smoothly. A committee under the Attorney General's direction has begun a thorough education program throughout the criminal justice system.

The Department of Law and Public Safety has built a record of achievement, as well, in rooting out corruption, illicit drug traffic, and anticompetitive business relationships. Related law enforcement activities from other agencies have been consolidated under a strengthened and streamlined Division of State Police.

County prosecutors and local police departments also have waged the fight against crime aggressively and effectively.

Major areas of improvement, however, require our attention. The system of parole and probation is in desperate need of overhaul. Parole is now an uncertain process. There are two types of paroling authorities with separate standards, separate rules, and separate policies for releasing inmates.

More rationality and efficiency must be added to the system. First, the parole decision-making power should be consolidated in a single consolidated board, with separate panels for reformatories and juvenile institutions.

Second, we should make parole more predictable. Third, the Parole Board should have power to deny parole or to revoke

parole only when specific standards and rules are violated.

I shall submit a bill which calls for those changes. Parole and probation are integral parts of the criminal justice system. They must be made to work as well as the rest of the system.

Recently, we also have identified some additional areas for law enforcement improvement.

The National Advisory Commission for Criminal Justice Standards and Goals, which I headed, recognized the need to upgrade the performance of many local police forces. Some 116 New Jersey municipal police departments consist of fewer than ten persons.

Due to size and other factors, many police departments have difficulty in delivering necessary minimum police protection and service.

The Department of Law and Public Safety this year will review local police training standards and operations with a view toward establishing and maintaining minimum standards.

In addition, the same national commission found a rapid increase in private security personnel throughout the country.

Legislation is now in the final drafting stage concerning supervision and possible licensing of private security personnel.

Establishment of uniform training standards for this growing industry is in the best interest of public safety and protection.

Finally, there are other law enforcement tools that are needed to continue the fight against crime.

I propose a Racketeer Influenced and Corrupt Organizations statute to guard against the use of racketeering income to acquire or maintain legitimate businesses.

In addition, I urge the passage of legislation to increase the penalties for the "fencing" of stolen property worth \$50,000 or more.

Also, New Jersey needs a stronger labor racketeering statute to guard against bribery, kickbacks, threats of force or violence and misuse of funds in connection with union activities.

These have been recommended by the State Division of Criminal Justice's Organized Crime Task Force and they have my support.

With the Division of Criminal Justice, the statewide Grand Jury, full-time prosecutors in 17 counties and the State Commission of Investigation, our law enforcement system sets an example for the nation.

New Jersey's recent law enforcement history has been one in which we all can take pride. Business and individuals in New Jersey can operate today as free of the influence of organized crime as any in the nation.

That is the result of relentless, vigilant law enforcement work. I am committed to continuing that record, and I ask your support.

New Jersey: A National Leader in Judicial Administration

For over thirty years, New Jersey has led the nation in the

efficient administration of justice. This year the citizens of New Jersey endorsed further progress by approving a constitutional amendment to merge the County Court into the Superior Court. The separation of those two courts was an anachronism. Their unification is a major step toward streamlining the courts in the State.

New Jersey continued to demonstrate its creativity in the efficient administration of justice by creating a new tax court to hear cases involving all State and local tax matters. I envision further innovations such as a family court to hear all matters pertaining to the family. I originally considered this concept as Chairman of the National Advisory Committee on Criminal Justice Standards and Goals in a report of the Task Force on Juvenile Justice and Delinquency Prevention.

New Jersey has also led the nation in the development of a Pre-trial Intervention Program. Such programs are in effect in twenty counties, and soon will be established throughout the State.

I have directed my counsel to develop, in conjunction with the Supreme Court, procedures to evaluate sitting judges on their performance prior to their reappointment. In the past year, I have made 68 court appointments and promotions. In making those appointments, I have sought to appoint judges who will continue the tradition of dedication to justice and efficient judicial administration for which New Jersey has developed a national reputation.

No area of judicial administration touches the people of this State more directly than the municipal courts. It is here that cases are heard involving assault and battery, annoying phone calls and "back fence" disputes, as well as more serious matters.

Over the past few years, the Executive and Judicial branches of government have cooperated in creative experiments in conflict resolution. As an experiment, LEAA, through SLEPA, has been funding neighborhood settlement units in Trenton, Jersey City, Newark, Camden, Orange, East Orange, Plainfield and New Brunswick. More recently, in Middlesex County, the service has been expanded to all of the County.

Under the Neighborhood and Family Dispute Settlement Program, neighbors and family members engaged in a dispute may request that their differences be resolved outside the judicial system.

With the consent of the parties, a case involving a neighborhood or domestic dispute may be referred for resolution to a trained mediator.

Here, people can discuss their problems with a trained counselor, unrestricted by rules of evidence and court procedure. The program has been highly successful in reducing these disputes.

During the coming year, in cooperation with the Supreme Court and the New Jersey State Bar Association, I shall undertake to extend this exciting program in conflict resolution to other communities throughout the State.

The Departments of Law and Public Safety and the Public Advocate have agreed to provide technical assistance in training people in dispute settlement.

The result should be a system of resolving dispute that is not only fairer, but more acceptable and economical than the present system.

Health and Environment

In 1978, New Jersey scored significant advances in the areas of public health.

New Jersey had developed the most extensive statewide cancer control program in the nation. One of my primary goals is to expand and intensify our efforts to understand and reduce the rate of cancer in New Jersey.

The first state with a coordinated cabinet-level approach to cancer research and prevention, New Jersey in 1978 was recognized and given the first Federal funds to continue the effort. It is our hope that coordinating the efforts of State and Federal government with the private sector will lead to the development of data on the origins and causes of cancer.

Over the past two years, the Cabinet Committee on Cancer Control and the various departments have succeeded in committing nearly \$3 million of State and Federal funds for cancer control activities. These range from consultative services for industry, to air and water monitoring, to indepth occupational and dietary investigations of bladder cancer patients.

A major cervical cancer screening program for the detection of this disease was undertaken also with Federal assistance.

In addition, the State was also the first to be awarded Federal funds for an anti-smoking educational effort among young people.

The cost of health care has become not only a medical but also a national economic problem.

This Legislature put New Jersey further in the forefront of health cost containment with passage of legislation requiring the State to set all hospital rates, not just those reimbursed by Blue Cross and Medicaid.

The act establishes a Hospital Rate Review Commission which will objectively review the hospitals' budgets and be fair to both the hospitals and the citizens who have to pay the bill.

New Jersey tackled problems of air and water pollution. Pollutants in the air have been reduced in many areas. Waterways in many instances are cleaner. Fish, for example, have been seen in rivers and creeks where they had not been seen for years.

Two years ago, I convened a conference on the preservation of the Pinelands. During the past year we saw the following developments in Pinelands preservation:

1. The adoption by the Department of Environmental Protection of strict water quality standards and regulations. While these regulations have served to protect water quality they have not stopped development in the area.

2. The Pinelands Review Committee will shortly present their final report to me. A preliminary draft calls for the creation of a strong Pinelands Regional Commission which would have the authority to limit development in the Pinelands.

3. This passage of the Pinelands National Reserve Act by the U.S. Congress. This act recognizes the ecological importance and uniqueness of the Pinelands, asks me to designate a Pinelands planning entity to plan for the Pinelands, imposes an interim moratorium on Federal funds for growth inducing projects while the planning is being done, and authorizes \$3 million for Pinelands planning and \$23 million for acquisition of critical Pinelands area. At the same time development has continued.

We must act now if we are to preserve the Pinelands. Accordingly, next week I will sign an Executive Order establishing the Pinelands planning entity in response to the Federal statute. This body will be composed of seven of my appointments, one appointment each by the freeholders of the seven involved counties and one Federal appointment made by the Secretary of Interior.

Under the Executive Order, the planning entity will have the authority to begin the necessary planning, based upon the work done by the Pinelands Review Committee, to allow both the planning entity and the Legislature time to act. I will also direct that all State agencies impose a moratorium on the issuance of State permits or funding until comprehensive legislation is approved.

At the same time I will introduce legislation to establish a permanent Pinelands Regional Commission with the authority to oversee and control development and to plan for the Pinelands. In both instances, we will provide for significant and meaningful participation by the municipalities and counties which are in the Pinelands area.

Also, I will place a high priority on the use of the recently approved Green Acres Bond Issue for Pinelands acquisition.

As we wage the battle against pollution, one issue that needs attention is solid waste.

I propose that comprehensive legislation be adopted to provide greater incentives to use garbage for energy reclamation and recycling rather than disposal in landfills.

In 1979, the solid waste baler will begin operating in the Hackensack Meadowlands. Funded with \$6.9 million in Federal funds, it is the largest baler in the nation and will handle 1,000 tons a day. Even this innovation must be regarded as a transition to a more comprehensive recovery project.

During 1978, we continued to seek equitable national air pollution control policies. In this regard, we filed suit against the U.S. Environmental Protection Agency, challenging their rules dealing with photochemical oxidants (smog).

The rule unfairly discriminates against New Jersey, the Northeast in general, and most of the urban areas in the country. We have been joined by the states of New York, Connecticut, Massachusetts, Rhode Island, Maine and Vermont in that suit.

Further, last year we forced the city of Philadelphia and the states of Pennsylvania and Delaware to agree to the establishment of equitable air standards in that air region. The result has been a substantial savings in fuel costs for some industries in southern New Jersey, and a fairer allocation of the burdens of air quality control.

We also brought suit against a Pennsylvania chemical firm to stop them from polluting New Jersey air. This was the first case in the country in which an out-of-state company paid an air pollution control penalty to the environmental agency of a neighboring state.

During the coming year, various departments of State government will be working together to combat air-pollution problems. We will take this kind of balanced approach to air pollution control to assure that the goals of sound energy conservation, transportation, and land use are woven together through the development of a new air quality control program.

We must seek and find ways in which the State can achieve its economic development goals and its clean air goals at the same time.

There are those of us with dreams for our State, realistic dreams that our Hudson River waterfront can grow alive, that beaches and sand dunes can be protected into the next century and that our cities prosper.

I share these dreams, I am prepared to act on them and seek public support for them. With the aid of counties and municipalities, I will create a Waterfront Study group to devise an action plan for the river area. Our waterfront revitalization can lead to a renaissance in the great harbor between New York and New Jersey.

Also in 1979, we will develop a shore protection master plan and fund shore protection projects from the Beaches and Harbor Act. The desolate yet graceful sand dunes which protect one of our most valuable resources, the famed New Jersey beaches, need protection themselves. Accordingly, I will propose legislation to

preserve the dunes from destructive development.

Reforms in the Public Interest

New Jersey has been in the forefront of fighting for consumers, the elderly, the handicapped, and the poor. We have shown that it is possible to live within a tight budget and still help those who cannot help themselves.

When we created the Department of the Public Advocate, it was unique among the 50 states — a State agency fighting for citizens not only in the marketplace but within government itself.

The Public Advocate has successfully opposed more than \$1.6 billion in unwarranted utility and insurance rate hikes. It has sought to improve the responsiveness of State agencies and institutions themselves.

Since its inception, the department has handled nearly 41,000 individual citizen complaints and fought for the rights of mental patients, tenants, the developmentally disabled and other citizens.

We have greatly expanded assistance programs for senior citizens. Not only are the elderly entitled to reduced fare transportation, to nutrition programs, and extra homestead rebate payments, but also to an extraordinarily worthwhile and successful drug purchase program unlike any other in the nation.

One of the most difficult decisions we faced last year was continuing the Pharmaceutical Assistance for the Aged program intact, when faced with rising costs due to its great popularity.

But in a manner that has come to be expected of this Legislature and this Administration, we grappled with the problem and devised a solution that will maintain this service while keeping its cost in balance.

More than 280,000 citizens are enrolled in the PAA program. New Jersey was a leader in establishing such a program and in continuing to finance it.

One of the most fundamental duties of State government is to help those who cannot help themselves: the mentally ill and retarded. We have made great strides in the improved quality of patient care, the provision of legal advocacy to protect the rights of the institutionalized and the planned deinstitutionalization of patients.

With Federal aid, Intermediate Care Facilities for the Mentally Retarded will provide a dramatic improvement in the care of our retarded citizens.

By improving facilities and increasing staffing to comply with Federal standards, the Division of Mental Retardation will be able to recover from the Federal government fifty percent of the

cost of running those facilities. Federal reimbursement for the ICF/MR program for fiscal year 1979 is estimated at \$39 million.

In conjunction with the ICF/MR program, the Division of Mental Retardation also will emphasize the development of community residential placement centers as an alternative to institutionalization.

Many of our retarded citizens can function outside of institutions if the proper housing and social supports are available. The 1978 bond issue funds include \$7.5 million to provide these necessary community services.

New Jersey has been a national leader in reducing errors in payments in the food stamp and income maintenance programs and in reducing Medicaid fraud.

New Jersey also has an excellent record in recovering from those who abuse the Medicaid system. However, those recovery efforts are substantially hindered by limited authority, lack of lien power and a restrictive definition of illegal fraud and abuse. My Administration has introduced a bill to correct those deficiencies and I recommend it for favorable consideration.

We must continue and strengthen our efforts to assure that our assistance programs are effectively managed. New Jersey has established a nationally recognized reputation for the reduction and elimination of errors in our public assistance programs.

We also have established, with your cooperation, a unique "workfare" program aimed at assuring that all able-bodied General Assistance recipients be required to accept employment or job training consistent with their abilities.

Although the program started only last July, as of November 1, 1978, over 1,000 people have already been placed in employment, 762 of these in the private sector. In addition, over 1,300 people were placed in job orientation programs.

The Aid to Families with Dependent Children program, which includes about 350,000 children and 100,000 adults, constitutes about 77% of State assistance expenditures. In this sector in the last fiscal year, we placed through the Work Incentive Program nearly 6,900 people and saved over \$12 million in welfare grants.

While we all recognize that the overwhelming majority (approximately 81%) of public assistance recipients are not available to the work force due to their age, disability, or child-caring responsibilities, it is very important that people who are able to work are given every opportunity to do so.

Education

No service provided by government is more important than the

education of our children. Indeed, one of the reasons often stated by citizens and corporations for settling in New Jersey is our first class educational system.

I am dedicated to maintaining that system as a valuable asset of the State and an essential service for our people. In the past, we have wrestled with expansion of our school system to meet a burgeoning population and the development of a means of providing a thorough and efficient education to all children of the State. Now we are in an era of declining enrollment and tight finances. During this period of constriction, we must make hard choices to maintain quality programs, while equalizing resources needed to support the education of public school children.

Our dedication to high quality in education is manifest from the fact that in the current fiscal year the State is providing \$1.4 billion in aid to education. We will allocate \$116 million more to local public schools in the next fiscal year than in the present fiscal year. Indeed, one-third of the State's budget is spent on primary and secondary education.

The substantial commitment of State funds to education compels an equal commitment by the educational community to account for the expenditure of those funds.

The Department of Education has taken a lead in using limited resources more economically by focusing its monitoring and technical assistance efforts on those districts which have the greatest needs. I have also established an ad hoc cabinet level committee to examine the coordination and delivery of educational employment training services provided by the Departments of Labor and Industry, Education and Higher Education. Based on the recommendations of this committee, I will be seeking legislation to integrate and coordinate the delivery of educational occupational training programs in the State.

A requirement that students meet State-wide proficiency standards to receive a high school diploma will add a capstone to the complex set of fiscal and educational reforms we have undertaken since 1975 and will insure that a New Jersey high school diploma is respected by employers and colleges. I urge this Legislature to consider favorably pending legislation which would implement a system of high school graduation requirements.

I also urge this body to consider the recommendations of the Task Force on Business Efficiency in the public schools concerning the regionalization of transportation, data processing, purchasing and other services to improve the quality and the efficiency of our public schools.

We must also be concerned about the standards set for entry into and continuation in the teaching profession to ensure that our children have the best qualified teachers. I look forward to the

recommendations of the commission to study teacher preparation programs.

Meanwhile, the Department of Education has developed a State plan for in-service training of teachers to coordinate more efficiently federal and State funds for the continuing education of teachers. Starting in September of 1979, local school districts will begin implementing evaluation procedures for tenured teachers. I believe that no public employee, whether a teacher or a judge, should be beyond periodic review of his or her performance.

I urge you to address the issue of the funding for special education programs. Special education must be funded in a more equitable manner, and the diverse array of institutions serving special education students must be integrated. I ask your review of pending legislation which would integrate the funding of public and private special education facilities and establish a funding mechanism for private facilities that reflects actual educational costs while insuring that such facilities will not misuse those funds.

Higher Education

The past year has been one of steady progress for higher education in New Jersey. I signed legislation creating a new system for financial assistance to New Jersey college students. This is one of the most advanced State financial assistance programs in the country.

The past year also marked the beginning of our attempts to improve the quality of our higher education system by placing reduced reliance on enrollments as the primary basis for institutional funding and reapplying resources to strengthen academic programs and student services. Our efforts in this area must continue.

We have implemented the Basic Skills Assessment Program to identify and provide corrective measures for students who enter our colleges with deficiencies in the skills of reading, writing and mathematics.

While this testing program continues, new efforts must be made to strengthen our remedial programs, to assess their success and to improve basic skills instruction and skills levels in the elementary and secondary schools. Only in this way can we assure that the students we graduate each year are well-educated.

I have supported the recent introduction of several major pieces of higher education legislation, including legislation to revise the system of support for independent colleges and universities and to provide for a more equitable distribution of funds. This system will continue to strengthen New Jersey's

already strong commitment to a system of both public and private higher education.

The New Jersey higher education community has responded to the shortage of medical personnel in a positive manner. Last year I was privileged to sign legislation creating a graduate medical education program to support and coordinate graduate medical education in this State. I look forward to signing legislation, known as the Dental Auxiliary Act, which will expand the use of dental extender personnel. A degree program for professional physician extenders known as Physicians Assistants has been implemented by two higher education institutions in New Jersey. Legislation to authorize and regulate the practice of such professionals has been introduced with my support and hopefully will be passed in the year ahead.

I also continue my support for legislation to establish a Physician-Dentist Loan Redemption program. This program will redeem the loan indebtedness of physicians and dentists in exchange for their service in underserved areas of the State. Those areas include many of the urban centers of the State, areas that need the assistance of the State in attracting dedicated physicians and dentists.

Insurance and Banking

The availability and the affordability of automobile insurance continue to be a major area of concern to many New Jerseyans.

We have identified the problems: an ever increasing assigned risk plan which often results in higher rates and poorer service; unfair rates based upon questionable classifications and territorial distinctions; and an unrealistic no-fault threshold.

Last year I presented you with three bills to correct those deficiencies. The bills were designed to make automobile insurance more available through a reinsurance facility, provide needed technical staffing for the Department of Insurance and establish an industry-wide merit rating system to surcharge bad drivers.

A legislative subcommittee consisting of legislators and industry representatives has been considering alternative legislation. There has been enough time to consider the issues. I now ask you for action and legislation.

While the legislative process continues, the Department of Insurance has called hearings to review rating classifications and territories. Let us correct the inadequacies of the No Fault law and other underlying conditions that impel increases in the cost of insurance. I urge prompt passage of my Administration bill to

give the Commissioner of Insurance the authority to establish minimum standards for the form, content and sale of individual health insurance policies. We must act quickly to protect our citizens from unnecessary, uneconomical and unwanted health policies.

In addition, I shall undertake a review of tort liability. I shall create a tort law study to undertake an examination of the law pertaining to products liability and other areas of tort law.

At present, a majority of the New Jersey Real Estate Commission is comprised of members from the real estate business. This has led some critics to contend that the real estate industry is, in effect, regulating itself and that the present method of regulation has at least the appearance of a conflict of interest. Under those circumstances, I believe it is in the public interest for the function of licensing and regulating the 60,000 real estate licensees to be strengthened and streamlined in a Division of Real Estate in the Department of Insurance.

New Jersey also has repealed State fair trade pricing laws for most products and sought to eliminate other regulatory schemes that inflated rather than reduced consumer costs.

This year I ask your approval of my Administration bill to allow the Commissioner of Banking to set standards for bank advertising. This bill forbids deceptive and misleading advertising and advertising which would adversely reflect on the business of banking.

Regulatory Reform

We must also give our attention this year and in coming years to the issue of regulatory reform.

In some cases, strong government regulation has not protected the interest of the consumer, but rather worked against it. In other cases, the licensing and regulation of certain industries has served little more than protecting the practitioners already in the industry.

What should be our approach? Do we continue to operate under regulatory systems devised decades ago under different conditions?

Do we open up industries to more competitive situations and more opportunity for consumers to shop around for better prices?

There may be too much regulation in American life, not too little. We should let free market conditions prevail in most cases, not fewer.

As part of regulatory reform, the State Attorney General has moved to deregulate pricing in the alcoholic beverage industry.

This will take effect shortly.

This move follows the carefully considered recommendations of the Division of Criminal Justice's Antitrust Task Force. The task force concluded that regulating the liquor trade has benefited the producer at the expense of the consumer.

The task force found that the system was founded on an antiquated notion that price maintenance promoted temperance.

The only consequence of such a scheme has been to keep prices artificially high and yield excess profits for the industry.

This may not be a popular decision, but it is the right decision. I support it fully. If there is a need to inflate prices to discourage consumption, let the public benefit, not industry. Deregulation also can be achieved in other areas. I propose that the Board of Public Utilities no longer regulate public movers. Much of the moving industry already is regulated by the Interstate Commerce Commission.

Any consumer problems with this industry will continue to be handled by the Division of Consumer Affairs.

Similarly, the complex system of setting rates for garbage contractors may no longer be an efficient method of operation. This effort will be reviewed and recommendations will be sought on whether it should continue or be revamped.

Further, proposals will be presented to abolish, consolidate or transfer some of the regulatory and licensing boards that regulate more than two dozen professions.

This Administration has had a strong consumer orientation. But change is necessary to continue to focus that orientation where it will do the most good.

Election Law Reform

Our election laws are a maze of confusing, conflicting and sometimes vague provisions. By taking decisive steps, we can demonstrate our position as a leader in election law reform. After years of study, the State Election Law Revision Commission has proposed a comprehensive overhaul of Title 19. It would be an important step toward simplifying the electoral process and making it more readily understood by the voters.

Our law providing for public financing of the general gubernatorial election has worked well. But here too, more needs to be done. This year, let us complete the work we have begun by extending public financing to the gubernatorial primary election and by imposing a limit on the amount that can be expended in primary campaigns.

This is the year to enact these reforms before the next

gubernatorial campaign year and partisan considerations color our actions.

As we approach the 1980s we are reminded that the Census Bureau will be conducting a census in 1980 which will provide the basis for State legislative and congressional redistricting.

Consequently, I have asked the Eagleton Institute of Politics at Rutgers, the State University of New Jersey, to conduct a study leading to the development of a reapportionment plan.

Civil Service Reform

During 1978, this Administration took important steps to improve and facilitate the management of state and local government.

We took the lead in proposing long overdue legislation for the reform of the civil service merit system in state and local government.

We have an obligation to the taxpayers to see that our employees give a fair day's work for a fair day's pay. We have an equal obligation to our employees to assure that they are managed with professionalism and integrity.

For too long, the personnel system was so encumbered with details, so distrusting of management decisions and so overcontrolled at the top, that the very tool for putting the public will into effect became more of a hinderance than a help.

The Civil Service Reform Act, developed in close consultation with the State Civil Service Commission, deals with these issues and will create a personnel system that has structure without strangulation.

Our proposals will lead the way for a new era of fairness and decency in public administration. We have determined that proportional representation of women and minorities at all levels of public employment should become a matter of State policy.

We have proposed a Senior Executive Service to encourage the best performance from our top management.

We have sought to preserve the integrity of the merit system by clearly separating the roles of personnel management and the roles of the quasi-judicial review of disciplinary actions.

Last but not least, we have acknowledged the debt which society owes to veterans and restructured the veterans preference in such a fashion that the seriously disabled veteran, who has given the most of himself, receives the greatest award.

At the same time, we have modernized the preference in other

areas so that our veterans will continue to have the opportunity to enter the work force and, once in, will then advance based upon merit principles.

None of these steps are easy. However, we have confronted these issues, studied the problems with great care and insisted with vigor that our State needs a system that is based on merit and which forthrightly promotes the interests of efficiency, fairness and productivity in public administration.

Improving Government Efficiency

New Jersey has been a leader in holding down government spending at all levels.

The annual growth rate of the State Budget has been cut in half, and three years ago we adopted a budget with an actual decrease in State spending.

Continually, we have held the number of State employees to the second lowest per capita in the nation.

We made the difficult decision to place spending ceilings, or "caps," on New Jersey State and local government, the first State to so anticipate voter discontent over rising property taxes. In 1978, I signed legislation extending the local caps through 1982 and the State cap through June 30, 1983.

The caps have made budgets tight for all of us, but they have helped hold down property tax bills. I am proud to say that total property taxes collected in New Jersey in 1978 were slightly below those in 1976. That is a remarkable achievement in any state.

And when homestead rebates are taken into account, net property taxes are about eight percent below those of 1976. When compared with prior average annual increases of more than eight percent, this is a dramatic turnabout.

This Administration and this Legislature recognize that no one likes to pay taxes and that it is difficult to pay money to government for public purposes.

As the custodians of public funds, we recognize our duty to make government work better, more efficiently and more productively. As long as I am Governor, I will continue working to see that public funds are well spent.

This past year, we created a committee of businessmen to look at State spending for ways to economize and consolidate.

We merged two similar agencies, the Area Redevelopment Authority and the Urban Loan Authority, into the Economic Development Authority.

By Executive Order, as the result of a suggestion from a Jobs Conference held in March, I placed a five-year "sunset"

limitation on all new State Administrative rules and regulations. This should help eliminate government red tape and outdated regulations.

We have seen continued success from the 90-day permit process initiated in the Department of Environmental Protection. In some cases, minor permits are issued "over the counter."

Other proposals for government efficiency are increasing the computer capability of the Division of Motor Vehicles and the state's motor vehicle agencies.

These efforts go a long way toward making government more efficient. Similar time saving procedures can be effected by the Legislature, such as regular joint committee hearings by both houses on major legislation.

This is a difficult challenge but one we must face.

Conclusion

Small size, New Jersey is vast in its diversity, rich in its heritage and blessed in its resources.

As government leaders, we have not taken lightly our responsibility to preserve and enhance what we have, to meet our people's needs and to govern with compassion.

During my term as Governor, we have seen cynicism transformed into hope. Nonetheless, as we approach the 80's, some see only seemingly insurmountable problems. There are others who also see the difficulties of the times but welcome the challenge, strengthened by their faith in New Jersey's great diversity, its splendid resources and, above all, its talented and dedicated people.

Citizens who formerly doubted the integrity of government now endorse the issuance of bonds to sustain the work of government. The planned rebirth of the cities has supplanted uncontrolled urban sprawl. We have achieved a solid fiscal base, one in which our tax dollars are wisely spent. We have found a proper balance between our economy and our environment. We have striven to meet the rightful needs of our people without special preference.

We move into the next decade having forged a new coalition with the Legislature, one in which we have fused our talents to serve the public. We also move forward having locked arms in a dynamic partnership with business and labor. As we proceed, let us be mindful that the government belongs to the people, and we are merely their custodians. Let us so conduct ourselves that future generations will say, "They set the pace."

Let us not look to make New Jersey the richest state, just the fairest; not the busiest, but the cleanest; not the most cluttered,

but the most orderly; not the most awesome, but the friendliest; not the biggest, but the best.

I believe these hopes are within our grasp.

Thank you.