

SEVENTH ANNUAL MESSAGE

This is the published version of Governor Byrne's Seventh Annual Message, delivered to the 199th Legislature, Second Session, on the day of its organization, Jan. 13, 1981. In his appearance before a joint meeting of both houses that day, the governor delivered a speech on the same themes that was shorter and somewhat different from the printed text.

The choice of progress

New Jersey today is not the same as it was just seven years ago.

In nearly every area of public concern, advances have been recorded which many said were impossible.

The economy, the natural environment, and the tax system are dramatically improved. The fight against crime, corruption and excessive government spending have accelerated. Assistance to the old and needy in energy, prescription drug and transportation costs are expanding.

New Jersey has broken out of following the patterns of other states in the nation and has assumed national leadership.

Adoption of a management plan for the 1.1 million-acre New Jersey Pinelands is as significant a conservation step as any other in the nation last year, particularly in this most densely populated state in the nation.

Caps on government spending, together with state-financed tax relief programs, have held property tax increases to far below the rate of inflation.

Voters have approved carefully considered bond issues to improve state facilities and further improve the state's hodge-podge water supply system.

Further tools and financing to promptly deal with the remaining, partially-addressed water supply deficiencies are essential. The state has gained many of the needed tools and financing to refurbish a neglected public transportation system.

The state's pioneering fight against toxic waste has been regarded as "unmatched elsewhere in the nation." "While the Federal Government is still tallying the number of nationwide trouble spots," one toxic waste expert reported, "New Jersey is making lists of sites rendered harmless."

This is our last year together, a year in which we both have a choice — a choice of protecting and building on the accomplishments we have achieved together since 1974, or a choice of letting those programs of progress for people deteriorate.

If my Administration ended today, our achievements in implementing tax reform after decades of failure, protecting the Pinelands for future generations, running government honestly and efficiently, reforming the criminal law, providing aid to seniors, reviving our cities and improving the State's independent identity would compare favorably with any Administration in this State's history.

In this election year, you can choose to rest on the record you have already compiled, and spend this year in partisan debate. Or you can choose to confront issues which need to be resolved *now*, not next year or the year after.

I have been elected to serve as this State's governor until January 1982. I intend to continue working until the end of my term. I believe you do too.

The issues which face this State won't take the year off to engage in partisan politics. Some of these issues — automobile insurance reform, civil service reorganization, siting of hazardous waste facilities, unemployment insurance reform — have been considered too long without action.

You can continue to delay action on these problems. They won't go away from Trenton, but if the public sees this Legislature as consumed in politics *you* may leave the problems to our successors.

With your help, this year could be a year of great accomplishment. We have the opportunity to set the stage for New Jersey's future social and economic development for the remainder of this century. We can show how to reconstruct our cities, reclaim our waterfronts, shift our economy to take advantage of exciting new technology, attack the causes of crime, insure the justice of our society and take action on a series of issues facing the State.

In their final years, Governor Cahill instituted reduced fare senior citizen bus rides, the Coastal Review Act; Governor Hughes initiated the Drug Abuse Control Act, bus subsidies and a multi-state organized crime surveillance effort.

In this election year, the candidates and the voters, too, face choices: of advancing the state and the interests of ordinary citizens, or those of special interests and nay-sayers. This State's electorate has shown it will not be fooled by vague charges and promises of those who lack specific ideas for the State's future.

I issue a challenge to those who would succeed us in the Governor's Office and the Legislature, a challenge to secure those essential programs, to build on our notable accomplishments and to break new ground in innovative, honest and cost efficient government.

Government choices

In the Federal arena, the State government, the cities and counties, and the people of New Jersey face hard choices in the year ahead.

There will be many pressures in Washington to reduce the services, size, and scope of the Federal government.

There may be an opportunity for us to benefit from this changed philosophy in Washington, if the Federal government begins to set broad goals and objectives in programs, and allows State and local government to tailor services and benefits to the particular needs of our citizens.

We will work with the new President and the new Congress to identify those programs in which authority and funding can most effectively be turned over to the states. We will work with Washington to identify restricted, categorical Federal programs which can be consolidated into block grants and administered flexibly on the State and local level.

We must guard, however, against attempts to "dump" program authority on the States and local governments, without the federal government giving access to the funding necessary to pay for those programs. State and local governments in New Jersey are overly dependent on traditional revenue sources such as sales, property, and gasoline taxes. Because these taxes are more regressive than income taxes, there would be heavy, inequitable expense to homeowners and middle- and lower-income taxpayers if federal programs are transferred without federal funds.

A shift of federal programs to lower levels of governments will not affect all states or regions equally. Some states have much greater ability to impose certain kinds of taxes than other states — for example, the severance taxes imposed by energy-producing states which can raise massive revenues by increasing energy prices for consumers of all states. Federal initiatives to return taxing authority to the states should not be simply a cover for playing favorites with the regions of the Nation.

Finally, there may be attempts to reduce or eliminate programs which we have taken for granted as federal functions. We are going to have to make choices about the existence, level or scope of programs and services.

New Jersey will not oppose responsible efforts to reduce government spending. Indeed, before it was politically fashionable, this State led in prudent State fiscal management, oversight of local government finances and mandatory controls on the rate of spending by all government levels. But we will challenge actions to reward some elements of our society by imposing unfair burdens on the poor and the aged, on children and minorities, or on our distressed cities or region.

The Federal government does not have the answer to all of our problems, but I believe that the Federal government has a legitimate role in searching for the answers to some of the major problems of our time. The citizens and the governmental units of this State must be ready to define what are the critical responsibilities which the Federal government must continue to assume, and what

functions can be reduced, eliminated, or taken over by other levels of government.

While New Jersey must be concerned with new strains on the federal system, we should use this next year to review some of the past choices we have made on the relationship of State and local government, and determine whether we should keep or modify our course for the future.

The fundamental shift in the State and local role marked by the income tax has proven, in my view, to have been a good choice. In 1975, the property tax provided 61 percent of all local government tax revenue; by 1980, this dependence has decreased to 47 percent of all revenue. Yet even with the income tax the State ranks second in the Nation in its reliance on the property tax. During this next year, we should begin the debate over whether we should seek additional property tax relief by increasing income tax revenues through a more progressive rate structure.

The caps on local government spending have forced difficult decisions on local leaders. The caps, I believe, have been helpful in exerting a new discipline on spending and increasing public awareness of how public money is spent. The basic concept of the caps is sound, although we should take steps to bar creation of local authorities and allow State aid to be outside the cap. Since the property tax is already strained as a revenue source, new State aid to local governments would depend on some other additional tax revenue. This is another issue which should be debated this election year.

We should also recognize that the approval of the income tax did not raise one dollar for the operation of the State government, and the financing of the State budget remains dependent to an excessive degree on tax sources which have not been sufficiently elastic to keep pace with inflation. We have been forced to reduce services in important areas, and the public now faces the choice of continued service reductions or revision of the tax structure to bring the level of revenues closer to the rate of cost increases.

We face other choices as the role of State and local government continues to evolve. As in the past, some will use the slogan of "home rule" to divert attention from the real issues. In South Jersey, we should cut through the rhetoric of a few rabble-rousers, and identify the specific needs of the region. The State has taken important actions to insure that South Jersey develops in a balanced and careful manner, and avoids some of the planning mistakes of the rest of the State. South Jersey is a beautiful part of our State, and we aim to keep it that way for future generations. I am confident that the future will confirm the wisdom of these choices.

Other choices are more fundamental. The census results force us to deal with the difficult issue of reapportionment and to confront revisions in State aid programs necessary to provide funds to those areas with greatest need. Changes in the age and structure of our

population create new opportunities and challenges. As pressure on our schools and colleges decline with the aging of the postwar generation, stress is placed on our economy's ability to produce the housing and consumer goods, and ultimately the health care and pension payments, necessary to support the largest segment of our population.

These and other choices should be debated now to set the agenda for New Jersey's future. In order to provide the forum for this examination, I will hold in the next few months a convocation of the State's public and private leaders to map out this agenda. We have the chance to continue our progress, to choose where New Jersey should be tomorrow. Let us not waste this chance.

Economy

New Jersey's economy is continuing its transition to greater reliance on new industries and technology. This transition has not been without short-term hardship, as we have chosen to shift from an aging industrial base to a more modern and diversified economy. This year, we face a critical point as we see if national economic trends with increasing unemployment and high interest rates will jeopardize the State's recent encouraging record in attracting new investment and jobs in growing industries of the future.

Despite the national recession, we have made excellent progress in recovering from the depth of the 1974 recession. This past year saw total employment in the State reach an all-time peak in excess of three million jobs before the current economic slowdown took hold. The State unemployment rate dropped from nearly 12 percent at the bottom of the 1974 recession to approximately seven percent this past year, and 1980 marked the first time since 1972 that New Jersey had an annual unemployment rate lower than the Nation.

At the start of my second term, I stated that we would have to create more than 70,000 jobs annually over four years to bring New Jersey's unemployment rate down to the national average. We met and exceeded the annual targets with two years of substantial growth during which employment grew annually by more than 100,000 jobs, and 340,000 new jobs were created from February 1975 to our peak last year.

The past several months have been difficult as high rates of inflation and credit slowed our progress. Yet in key economic areas New Jersey outperformed the region and the Nation, and our economy today is in a much stronger position to withstand adverse national trends. New Jersey remains a healthy place for new investment; and modern, efficient industries have shown that the State continues to be a fine environment in which to do business.

Our economy will come under increasing pressure in the rest of this decade as our great demands for new capital to rebuild aging

public infrastructure and invest in new plant and equipment construction in new plant and equipment construction conflict with national and international trends draining funds from our region, particularly for exorbitant energy costs and new investment.

The capital crisis which we face will force much harder decisions upon the public and private decision-makers to justify the value of new spending and investment. We must attract new capital, and spend it wisely for maximum return if we are to continue toward a modern, competitive economy.

Our economic development policy should pursue the following goals:

- Provide jobs for all our citizens, especially those living in distressed areas or from disadvantaged groups who have not shared in the State's overall economic growth.
- Encourage development compatible with long-term needs to make the most efficient use of scarce capital and natural resources and preserve our investment in existing public and private facilities.
- Promote industries with the greatest potential for providing sustained growth and worthwhile employment.

During this next year, we will implement an economic strategy which will pursue the following goals:

We will reorganize our economic development efforts and we will seek a new focus for this important program, eliminate or reduce those State functions which have been ineffective, and strengthen areas of proven success.

New Jersey's great need for new capital to modernize our aging industrial plant requires an aggressive program to retain and attract investment.

The State will work with the private sector to develop effective incentives to promote capital formation, including the review of State tax policies and the creation of programs to encourage the State's major financial services sector to invest in our economy.

The State will also construct public capital projects in areas where they have the greatest potential of attracting complementary private investment. We have begun to see the encouraging results of joint public-private development projects in State office buildings, industrial parks, recreation facilities, and public transit stations. This year, we should consider building on this progress through a carefully developed capital construction program with new funding for projects which attract related private sector investment and support.

We will make a major effort this year to expedite construction of projects with previously authorized bond funds. These improvements are necessary not only to renew our deteriorating infrastructure, but their construction should also alleviate the employment impacts of the national recession and high interest rates slowing private construction activity. Transportation projects will be a key priority, and we hope to proceed this year to construction of a

variety of long-delayed projects.

We will be putting the dollars to work which were approved last year for new water supply interconnections, resource recovery facilities, human resources facilities, prisons and energy conservation improvements.

We also are developing legislation which will authorize the Port Authority of New York and New Jersey to take an expanded role in rehabilitation of infrastructure in the State. This legislation will allow local governments to use the Authority's services on a contract basis for needed local improvements, such as construction or repair of streets, bridges, and water supply systems.

New Jersey has developed a model program in reducing delay for major construction projects, with our mandatory 90-day timetable for the processing of most State permits. The costs of delay reduce and divert capital through higher interest charges and declining values of investment, and is a major factor in inflation. We should consider legislation which will make permanent the processing reforms we have implemented administratively on the State level, and also review ways to speed local planning and development review procedures.

The State has had a proud record of being the center for new technology and innovation. As the home of Edison and Einstein, we have continued at the leading edge of new discovery, with some ten percent of all patents in the country awarded to New Jersey residents.

During the next year, the State will make a major effort to target those industries with the greatest potential for sustained growth in New Jersey. The knowledge industries involved in the exciting new technology linking computers and communications will be a special focus for expansion and location in the State. The revolution in technology which is now beginning may have profound effects on our society, creating national and international networks which provide homes and businesses with unprecedented access to information for commercial, educational and entertainment purposes. New Jersey is already well-placed to compete effectively as a center for this new technology, and we will be taking steps during the coming weeks to strengthen further our position in this promising new field.

This State's need to develop meaningful work for the unemployed must receive even greater attention in view of national policies and trends restraining economic growth. I will support legislation to provide effective incentives to companies for job creation, particularly in high-unemployment areas. This legislation should be carefully developed so that it is a true incentive consistent with State fiscal planning and local development needs, and not a windfall which diverts scarce revenues with wasteful rewards to private investors.

We will also reorganize our job training programs this year so

that they are more effective in meeting our economic needs and the special needs of disadvantaged groups.

I also ask that you complete action this year to reform the State's unemployment compensation system. This reform is needed if we are to maintain a healthy climate for new investment, as well as protecting the rights of the unemployed.

With small businesses accounting for 85 percent of all new jobs nationwide, the expansion of the State's small business sector may be more important to New Jersey's economic future than the highly-publicized movements of a few large firms. Last year, we began a needed shift of State attention to the small business sector through the Economic Development Authority's low-interest loan program for small businesses, and this year we should expand this program substantially. I also will convene a Statewide conference to review current problems and identify potential initiatives.

Tourism is important to New Jersey. Economically, it is one of our most significant industries, with 130,000 jobs, and with its vast potential for bringing money into the State. More importantly, however, is tourism's role in showing outsiders the exciting and beautiful State we have. We have advanced a long way toward a more professional promotional effort and during the next year will be pursuing options for a more coordinated and visible program.

Like tourism, the State's position in international trade should be expanded so that we take advantage of natural competitive assets and strengthen our balance-of-payments position with other states and nations. Export growth will provide needed funds for recycling within the State; foreign investment will return needed money from abroad for New Jersey's needs.

We have also taken aggressive moves to remove government from regulatory areas which no longer make sense. Liquor pricing is de-regulated. Some progress has been made toward removing regulations on milk prices and household movers' fees. This year, I ask that we de-regulate forms of commercial insurance. The State's role here is unnecessary, and we should allow the private sector freedom to make its own arrangements.

Community development

The State's overall economic progress should not mask the continuing problems of providing more uniform distribution of jobs, income and investment. We still have severe barriers which see areas of the State, particularly older cities and depressed rural centers, and segments of our population, such as minorities and our youth, lag critically behind the economic recovery of the rest of the State. Until we can assure that all citizens of this State — regardless of where they live, or their race or age — have the opportunity for productive and meaningful work at a decent wage, we will have not met the challenge of the just society.

We have implemented the most significant reduction in the

urban property tax burden in the State's history. We have developed urban aid programs for the most distressed cities, made payments in lieu of taxes for State buildings, provided urban hospital assistance, reallocated energy gross receipts tax revenues to distressed cities. Today, New Jersey returns over half of the State budget to local governments and targets more of that aid to fiscally distressed cities than most, if not all, other states.

We have maintained, with careful State controls, the fiscal integrity of our cities, avoiding the fiscal gimmicks and defaults of cities in other states. We have stopped the flight of State offices from Trenton and Newark and begun a major building program to strengthen the downtowns of these cities. We have become one of the only states to target major economic development financing programs to distressed cities, last year issuing \$200 million in tax-exempt financing for projects in distressed cities and towns, a 144 percent increase over the prior year. We are building industrial parks in Newark, Elizabeth and Trenton, using limited State funds to attract some \$45 million in private investment. We have constructed housing and provided low-interest mortgages throughout major cities, last year providing 5,000 mortgage loans in urban areas and raising \$112 million for 3,700 new loans.

The progress which we have made toward reclaiming our cities is beginning to be seen in many specific projects throughout the State. We have built a strong base for more dramatic improvement in future years.

Yet national economic trends and policies are critical to sustain this momentum. If we are not able to obtain the needed federal support for public infrastructure and private development financing, we will lose a key element in our urban program. National policies which maintain high interest rates may also have a disproportionately adverse impact on the private sector's growing involvement in urban economic development. New Jersey must plan now to insure that we have the capability on our own to continue our progress. I hope that you will enact a series of legislative measures this year to support capital construction of both the public and private sectors, encourage joint public and private local development corporations, and provide effective incentives for private investment.

The urban property tax burden remains a significant barrier to retention of existing businessmen and homeowners and to further investment in our cities.

While it is a difficult issue, we should begin to debate over measures which would further improve the equity of our tax system. The traditional reliance on municipal boundaries as the sole criteria in defining property tax jurisdiction is sometimes inappropriate in that both the benefits and burdens of new development cross town and city lines. We ought now to identify those burdens which are not related to the local property tax and make appropri-

ate adjustments in the name of fair taxation.

Last year, I asked that we review the potential for State assistance to promote key capital projects with the potential to spark related private investment. There are ideas for new or revived civic centers, museums, industrial parks, ethnic heritage exhibits, convention facilities, theaters, and other projects which local officials or groups have proposed. If planned effectively with related private investment interests, these projects could provoke on a smaller scale the success we have had in attracting new construction to the Meadowlands and Atlantic City. We have carefully reviewed the need for this program with legislators, local officials and the private development community; and worthwhile bills are already before you which would authorize State bonds for this program. I hope that you and the Capital Budgeting and Planning Commission will take action so that an appropriate proposal may be presented to the voters this fall.

Our long-term goal should aim toward improving the capacity of local communities, along with the private sector, to develop comprehensive revitalization strategies for their own downtowns and neighborhoods. Several of our cities, including New Brunswick, Newark, Paterson, and Trenton, have created effective public-private development corporations. In order to support and expand this concept, I will request that the New Jersey Economic Development Authority allocate funds for loans and grants to local development agencies which demonstrate significant matching contributions from the private sector. The Authority will also provide technical assistance to local corporations in the development of new projects.

There has been much criticism over the effectiveness of current urban tax abatement programs for new investment, and some have argued that the current program provides a windfall to private investors and should be abolished.

I hope that we can review this issue carefully this year and determine any needed legislation to reform the current system. If shown to be effective in sparking new employment or investment, I would support legislation to create incentives which would encourage private development in the most distressed areas of our cities.

This State approved casino gambling in Atlantic City, with some reluctance, as the only realistic means to revive a once great city. Our decision has brought millions of dollars and thousands of jobs to the city, but problems persist in housing, crime and other critical areas. I have proposed an agency to deal with these issues on a regional basis, and have been attacked with the hackneyed slogan of "violating home rule."

Yet the city is unable to deal with the most basic problems facing it. Local officials spend thousands of dollars for a master plan, and then proceed to ignore its major recommendations. Urgent needs for a quality convention facility and adequate parking go unmet as

impractical proposals are made for monorails and convention facilities in the ocean. In light of this absence of effective "home rule," I reassert the need to address these issues through new approaches.

We have gained enough experience in the regulation of the casino industry so that it is time to review the effectiveness of our basic legislation. In some areas, we may be imposing regulatory burdens on casino employment and operation which serve no purpose; in other areas, we may need expanded authority to insure that the industry assumes its fair share of the costs of growth caused by its expansion. We should target our resources and attention to meet our basic goal — running a clean, honest casino industry which sparks the rebirth of a new and exciting city.

I urge you to take prompt action on legislation to develop a regional agency for the Hudson Waterfront. If we move now, our side of the river with full development of Liberty State Park and other projects can look better than the New York side.

We have made remarkable progress in resolving the sharp differences on how to structure this agency. The remaining points of contention can and should be debated for possible compromise. This measure could lead to a rebirth of the long-neglected waterfront, and be the key to new private investment in the entire region. We should not lose this opportunity through political or parochial bickering.

New Jersey faces a severe housing problem.

Inflation and tight money markets have sharply limited housing production. Over the past eight years the State has had an average annual shortage of about 26,000 housing units, while estimates for 1980 indicate a worsening situation. Our problem may become even more critical as the post-war baby boom generation enters the peak years of family formation and expansion.

I recognize that low-income housing is a controversial issue, and the Supreme Court is now weighing the complex legal questions which result. In the past year, the State has taken limited steps to address the problem through imposing fair share housing contributions on developers of major projects in the Atlantic City area and in the management plan for the Pinelands. In view of the likelihood that federal housing funds will be reduced, the future may see greater efforts to insure that available private capital is linked to low-income housing needs.

We need a comprehensive housing strategy which should include:

- (a) Expansion of the State's efforts to require a mix of housing for all income groups in major development projects.
- (b) New legislation to require fair share housing contributions from major developers.
- (c) More flexible mortgage financing approaches, including use of shared appreciation mortgages which may offer lower interest rates in return for a share of increased value at time of sale.

(d) Legislation which deals with the landlord-tenant relationship, including any needed actions concerning the growth of condominium conversions.

Located at the core of Northern New Jersey's ring of urban centers — Jersey City, Newark, Paterson, Passaic, Clifton and Hackensack — the Hackensack Meadowlands plays a vital part of the State's urban policies.

The Sports Complex has given a giant boost to this area's image and its economic potential. The 70,000 new jobs in the Hackensack Meadowlands since 1972 now result in a payroll of over \$1 billion per year to the urban centers where these new employees work. Close to 7,000 acres of open space will be preserved for people to use and enjoy in this crowded part of the State, with DeKorte State Park forming the heart of that enterprise.

Transportation

New Jersey has made remarkable progress toward overhauling our transportation program to institute modern management systems and practices. The recent progress, however, cannot reverse the decades of neglect and deterioration.

An efficient transportation network is vital to the State's long-term social and economic health. Without greater reliance on mass transit, our economy will continue to be drained of capital for payments to foreign and out-of-state energy producers. Without increased mobility within the State, the jobs which are available will remain inaccessible to the jobless in our distressed communities.

Transportation is essential, but it is expensive. We must make the most efficient use of our available funds and show the political will to target our resources to these projects meeting the State's long-term needs.

The citizens of this State must and will have the opportunity to achieve economic and social fulfillment. Mobility does not have to mean an ever-expanding highway network, but rather that the places where people live, work, shop, and play are accessible. When we allow low-density scattered development, mobility becomes increasingly expensive and difficult for government to guarantee. The land use patterns of the sixties and seventies have created excessive automobile dependency, a condition contrary to our resource conservation and environmental protection aims. The prevailing land uses are taxing the capacity of our highway system.

If our policies are to be successful, then developers will have to look to new methods of supplying residential, commercial and industrial land uses. An emphasis needs to be placed on clustering development, especially at transit terminals and other areas served by public transportation. Increased density of housing will be

necessary if families are going to be able to continue to afford the housing produced in New Jersey. Employment and housing opportunities need to be brought into closer balance. As carpooling, vanpooling and mass transit become increasingly utilized, the vast areas we have set aside for parking cars will be converted to more productive uses.

These actions are not intended to be anti-development; they are intended to promote good development — energy efficient development that contributes to the economic growth New Jersey needs to ensure prosperity for its citizens. To encourage such development, the Department of Transportation is actively seeking to provide packaged development opportunities at transportation centers.

We have an opportunity this year to make a significant improvement in transportation for South Jersey. As a result of increased traffic to Atlantic City, the New Jersey Expressway Authority has accumulated a substantial surplus. We are reviewing ways in which this surplus can be put to broader use to meet regional needs, and will shortly be submitting a proposal for consideration. This proposal could expedite the development of a comprehensive regional transportation network in the region.

With the creation of New Jersey's Public Transit Corporation, we have our first opportunity at developing a rational transit system in the State.

Having undertaken a comprehensive evaluation of transportation services in South Jersey, New Jersey Transit recently completed a restructuring of the regional public transportation network. We must cut out frills, such as subsidies for gambling trips to Atlantic City, and use our money to meet critical needs. This will ensure coordination between travel modes to meet the transportation needs of this region more effectively. This year, New Jersey Transit has focused on improving the most heavily traveled routes in our northern, urbanized counties. Through efforts such as these, we shall ensure that our limited resources are directed to meeting the public's transportation needs efficiently.

New Jersey Transit's plans for upgrading commuter-rail services are becoming visible as new cars are ordered and track renewed. With the purchase of TNJ, the State now operates bus services carrying 60 percent of statewide passengers. Also, in a cooperative venture with municipalities, New Jersey Transit is rehabilitating our train stations — creating a community resource out of what, for too long, has been a community eyesore.

Energy

The State's long-term energy strategy must recognize the critical economic importance of reducing energy costs and our reliance on out-of-state suppliers.

New Jersey consumers are currently spending \$8 billion annually

for energy, with an estimated \$3.6 billion in 1978 going for petroleum alone. The soaring energy costs have taken an ever-increasing share of this State's disposable income, reducing the businessperson's ability to invest in new plant, equipment or labor and the consumer's ability to purchase housing, goods and services which are vital to our economy.

In addition to reduced investment and purchasing power, energy costs adversely affect the State's competitive economic position in the Nation. Energy-producing states are generating massive amounts of revenue from energy royalty payments and tax revenues; by 1985, Alaska will receive more than \$5 billion annually in energy royalties and tax revenues, and Texas already obtains more than \$1 billion from energy taxes which can be passed on to consumers of New Jersey and other states. Unless federal action is taken, we face the prospect of a Nation balkanized into energy-rich and energy-poor regions.

While energy trends are largely beyond the State's control, we can move toward further reducing our energy costs through conservation and pursuing our limited options to develop in-State energy sources independent of out-of-state suppliers.

We have compiled a fine conservation record. New Jersey is the most energy-efficient State in the Nation, and we have made progress in the past year in reducing our consumption of gasoline and shifting from oil to natural gas and coal as greater sources for electric generation.

In addition to reducing consumption, New Jersey must decrease the drain of funds from our economy to energy-producing regions by encouraging new forms of energy production, relying on resources within the State and promoting energy-related investment which recycles our energy dollars back to New Jersey. We can, for example, develop resource recovery facilities which generate energy or useful products from solid waste; this year, we plan to put to use the money approved by the voters last year for the State's resource recovery facilities. We can promote solar power, and expand the Mortgage Finance Agency's successful program which last year provided 500 low-interest loans for solar hot water systems. We can expand cogeneration systems which recycle waste heat of major facilities, and we will sponsor this year a Statewide workshop to show the benefits of this process to potential users. And, while New Jersey may lack our own oil, natural gas or coal, we can build on our strong position in research and technology as new public and private investment is made in a sophisticated new processes needed for the clean and efficient use of both conventional and synthetic fuels. The federal government, which has adopted policies increasing energy costs as in the Nation's interest, has a duty to recognize the interest of energy-consuming regions in receiving a return on our energy dollars by federal support of public transit, energy research, and synthetic fuel projects in the North-

east and other consuming areas.

In order to reduce our total energy costs, I would support legislation to place a cap on the growth of the public utility gross receipts and franchise tax. This legislation should also exempt government agencies from the tax and be phased to avoid any immediate adverse impacts on local governments receiving aid from this tax.

Natural resources

The protection of New Jersey's natural resources is a commitment which we owe to present and future generations. In our compact, densely-settled State, the restoration and preservation of the diverse pattern of forests, cities farms, industry, air and water is a challenging but essential task. The variety of choice which our complex environment allows is the major reason why people who know the State seek to live, work or visit here. This diversity must be maintained into the future if we are to remain healthy as a society and an economy.

Last year, the State made a major investment in our future through the approval of the Natural Resources Bond Act. This Act will provide us the funds to start the necessary task of developing a modern resource recovery program to replace our antiquated garbage dumps, connecting the State's fragmented water supply systems which badly need rehabilitation, clearing our waterfronts of unwanted debris, repairing dams and continuing our significant progress in improving water quality through modern sewer plant construction.

Beginning in the late spring and continuing throughout 1980, we experienced a period of rainfall shortage that resulted in a dramatic drop in our water supplies. We were forced to impose water rationing on the citizens and businesses of the northeast which represent 40 percent of the State's population and 63 percent of our manufacturing jobs. System failure was averted due to the rationing of water, emergency river diversion and pipeline construction projects and the fact that the Round Valley-Spruce Run outlet pipeline was operational allowing us to feed water into some of the hardest hit areas. These conditions will spread to other parts of the State if the rainfall shortage continues.

These effects confirm what the State's water supply plan, which you and I initiated in 1975 and was also completed in 1980, predicted would occur during such a rainfall shortage period. No natural resource is more basic to our citizens' health and well being. 1981 is the year to change water supply in the State for the better, to assure us of an adequate quantity of good quality water for the future. This year, I urge you to approve the major water supply construction program and the legislation which I have proposed which is necessary to give the State effective control over its water resources.

New Jersey has been nationally recognized as a leader in con-

fronting the problems of hazardous material spills and hazardous waste clean-up. The Spill Compensation and Control Act approved in 1976 was the first, strongest and most comprehensive State legislation to deal with this threat to our health, environment and economy; your subsequent actions to further broaden this legislation to provide for hazardous dumpsite clean-up have kept us leading the Nation in our response to this problem. We also succeeded in 1980, after much effort by our congressional delegation and ourselves, in finally passing federal legislation known as Superfund to supplement our waste-dump clean-up efforts; and the coming years will see an intense effort to identify and clean up the hazardous waste sites which threaten our environment. We will come to you this year to significantly augment our resources to deal with hazardous waste and garbage control.

To insure that we do not repeat our past mistakes, I urge you to enact legislation this year to establish a process for the siting of modern hazardous waste disposal and recovery facilities. This legislation is essential to both our environmental and economic needs.

With much debate and controversy, we took action last year to adopt the comprehensive management plan for the New Jersey Pinelands. This historic step will ultimately be viewed as the most significant measure affecting New Jersey's long-term development pattern. As we implement the plan this year, we will seek to recognize the interests of landowners and local officials for involvement and input. During the coming months, we will request your approval of appropriations to proceed with our land acquisition program, aiming to buy more than 20,000 acres to the State's holding. We will also be requesting the appropriations of Green Acres dollars for parks development to build the modern facilities our citizens expect.

With our fertile soil and excellent climate, New Jersey continues to warrant its designation as the Garden State and agriculture must also be guaranteed through adequate and continuing water supply. Although the most densely populated state in the Nation, some 60 percent of our land remains in farm and forest. Our rural resources should be protected for their special contribution to our economy and ecology.

We will present to you a comprehensive program to preserve farmland and farming as a way of New Jersey life. This program has been carefully developed, and will seek to encourage local initiative and cooperation. It will include a series of measures to preserve our land and resources through incentives, and land-use planning. This is an important program for our future, and I request your early action for its implementation.

Crime

The impact of crime is the most urgent problem facing our

society.

The fear of crime affects all our people — the minorities worried about safety of children in urban neighborhoods, the elderly unable to defend themselves, the suburban resident concerned for the security of home and family, the businessperson seeking to protect an investment. Crime and its costs slash through our entire social fabric.

The threat of violence, particularly on our streets, is a national concern which New Jersey must confront with new ideas and resources. In the United States today, a violent crime occurs every 27 seconds, and a murder every half hour. According to the FBI, violent crime rose 47 percent during the 1970's with the national murder rate six times the level in England and Japan. Minorities are the primary victims of violence, with black men eight times as likely to be murdered as whites.

As with the other choices before us, New Jersey must target our limited resources to the most critical problem — crime on city streets. The State's 14 largest cities, which represent 20 percent of our total population, account for nearly 60 percent of all violent crimes. These statistics, dramatic as they are, cannot reflect the individual tragedies of the Newark policeman gunned down when he tried to stop a bank robbery on his lunch hour, the State House secretary assaulted in the parking lot as she left work, or the many other examples of human suffering caused by crime.

Simple cure-alls, such as the death penalty or mandatory constraints on the discretion of our judiciary to deal with offenders, are not the answer. But there is no quick fix to the problem of crime in this State. We must take action on a series of fronts if we are to guarantee basic safety and security for our citizens.

Over the long-term, we must deal with the social causes of crime. We must provide equal opportunity to all citizens, and work to eliminate frustration caused by lack of education, skills or employment.

Yet social problems are no excuse for acts of violence against other citizens. This State will not tolerate criminal conduct. Our resources must be directed to prevent and punish those who violate our laws and the rights of others.

In response to my direction, the Attorney General has recently proposed a series of actions to counter the rapid increase in violent crime.

The most visible symbol of the State's commitment to a war on street crime will be the limited deployment of State police to high crime urban areas. These units will be used after consultation with local officials in areas where they can be effective in complementing local police efforts. They will not substitute for valuable local police, but will show the criminals of this State that there is a dramatic State and local partnership to prevent and punish criminal conduct.

The Attorney General also suggests that we place new emphasis on identifying, prosecuting and punishing repeated offenders, those who have chosen to be career criminals. These relatively few people responsible for a disproportionate number of offenses have chosen crime as a way of life. Society owes them nothing more than special law enforcement attention to identify them, prosecute them fairly and quickly and lock them up upon conviction.

The report also advocates *clarity* in our attitude toward juvenile crime; the Juvenile Justice Task Force Advisory Committee under the direction of Assemblyman Herman is currently examining the entire juvenile process with an eye towards integration, and perhaps, centralization of the juvenile justice system. I urge you to give careful consideration to its proposals.

I recognize that we have differed on the approaches to crimes committed with handguns, and I have recently returned a bill which seeks to constrain judicial sentencing judgments in this area. We now have provision for adequate sentences for armed criminals, but you may want to add to those provisions. We should develop a proposal which illustrates our concern with the gun problem and serves to provoke national and regional programs. I urge you to enact legislation to bar the sale of handguns in New Jersey. I have never seen a hunter who had the need for a handgun to stalk game in this State. If we take the lead in adopting the toughest gun law in the Nation, I will seek similar action by our neighboring states. After years of federal inaction, perhaps state initiatives will also prod the Congress to deal with this critical issue.

As part of our obligation to protect the safety of our citizens, we must have secure prison cells for convicted criminals. No judge should be prevented from sentencing a convicted criminal because of lack of space.

Planning is well underway to provide additional space through the construction of a new 400-cell medium-security prison that is essential if the tough new laws and stricter sentencing are to be effective.

The battle against street crime is a top priority during my final year in office. The proposals contained in the Attorney General's street crime report, as well as the initiatives already taken, are important steps in this direction.

As Chief Justice Weintraub once said: "Pre-eminent in the galaxy of values is the right of the individual to live free from criminal attacks in his home, his work and the streets." This right must and will be protected in New Jersey.

Human resources

We may face a difficult choice this year in providing assistance to the poor, the disadvantaged and others who lack the strong political voice to make their needs heard. We should not get swept up in calls for "smaller government" and greater roles for the private

sector which simply mask political motives to redistribute funds from one group to another.

The poor without education or skills, the physically or mentally handicapped, the elderly whose savings have disappeared with inflation — these sectors of our society remain with their rights to decent and dignified lives in a prosperous State and Nation.

In reassessing our priorities on government spending, let us take a hard look at what we spend and who benefits from the public purse. As we make the tough decisions, how do we judge whether the welfare family should receive \$4.45 daily to feed and clothe a child or the suburban commuter should get \$12.00 each day in public funds to keep the cost of his train ticket down? Or should we cut the medical student who gets \$15,000 annually or the Rutgers student who gets \$3,000 in subsidy for their education?

We should not forget that this State has many children in poor families who deserve decent food and clothing. New Jersey now has one of every five pre-school children receiving direct or indirect forms of public assistance. If we ignore their needs today, we will have even greater social and economic problems tomorrow. These children must be given the chance to grow up as productive members of our society.

The strain on our resources may force us to re-examine our ability and willingness to provide income assistance payments to all but the neediest recipients with legitimate barriers to employment.

Flexible and innovative solutions must be sought to aid the transition of individuals from public assistance payments to meaningful private employment. I have directed a study be undertaken of ways in which we can use welfare payments made by the State and Federal governments, as part of an incentive program to make the low-skilled more attractive employees for private business.

I have also asked Treasury and the Department of Human Services to begin discussions with major State contractors and service providers of ways to increase employment of public assistance recipients by these firms. The Department of Human Services has had some success in training welfare recipients for jobs in its own institutions. I think it is time, with help of State employment and training funds, to seek broader involvement by those who gain from public contracts in reducing public costs.

New Jersey's programs for the elderly, poor and the disabled may be the most extensive in the Nation.

We have continued to expand our efforts to provide New Jersey handicapped citizens with productive employment opportunities. Specific efforts have included intensive employability services to the deaf and hearing impaired and unemployment insurance claimants. For the first time in New Jersey, we have established community service centers and provided information, referral, and advocacy services to 802 deaf or hearing-impaired citizens.

The Pharmaceutical Assistance to the Aged Program provides

help to over 270,000 senior citizens in meeting their increasingly burdensome health care costs. Although this responsibility should more correctly be shouldered by the Federal Government, we have stepped in to fill this service gap in the Medicare program.

The Lifeline Utility Credit plan launched last winter, aided 190,000 senior citizens and disabled people in paying their fuel and electric bills. This year the benefit will increase to \$125. In addition, our Board of Public Utilities has received the cooperation of our New Jersey utility companies to assure that no poor person will have their heat or electricity turned off during the winter months.

We are now implementing the Boarding Home Reform Act of 1979 which will have a positive impact on the 40,000 poor people who reside in these facilities.

Our Mental Health community programs have expanded tenfold in the past four years. It is not sufficient to merely reduce the population of State mental hospitals without establishing a system of community care that can provide needed preventive and after-care mental health services. We have quietly, without much fanfare, moved from being a national backwater in Mental Health Services to a position of national leadership.

We are in the midst of a far-reaching effort for improving the facilities and programs available to serve our mentally retarded citizens. The Intermediate Care Facilities for the Mentally Retarded (ICF-MR) program will result in better services for 8,500 retarded people; by 1982, 1,900 of these people should be able to return from institutions to more normal and satisfying community living arrangements. This program has brought substantial additional federal support, \$58 million in the current year, for these very essential services.

In meeting the needs of senior citizens and the disabled, we face an absurd situation where we are forced to cut valuable services because we lack money in the general State fund while millions of dollars are unspent in the casino revenue fund. Our inability to achieve a consensus on how to spend the casino revenue for seniors and the disabled is depriving people of needed help. These people will not continue to be passive as political and interest group leaders fail to reach agreement. I have previously recommended programs which could be funded, and will submit to you further ideas shortly. We should deal with this quickly.

As our population becomes increasingly older, the need for adequate health care expands. Yet the costs of this care continue to outstrip other areas, and the ability of our economy to sustain this growing burden decreases every year.

If we are to target resources for the most favorable impact on the health status of the citizens of this state, we need to make a basic shift in the utilization of available funds from treatment to prevention.

Health insurance reform is a key piece of shifting health re-

sources toward prevention. I will propose legislation to give incentives or a competitive edge to those health insurance plans which will encourage people to stay well through greater reliance on preventive and primary care and less use of unneeded, costly hospital care.

We are also drafting legislation to make the Health Maintenance Organization option available to more of our citizens by having more employers include HMO coverage in their health benefits plan in those areas where HMO's exist. With their array of prevention, health education, and primary care services, HMO's can remove the need for more costly in-hospital treatment and provide real health benefits.

With the understanding of the finite nature of resources, comes an even stronger sense of the overriding need for cost containment. Here in New Jersey, we can point with pride to nearly \$3 million saved by consumers through our generic substitution law. In a recent survey, a sampling of 200 pharmacies revealed over 40,000 prescriptions have been filled using inexpensive "generic" medicines in place of costly brand name pharmaceuticals, making New Jersey's program in 1980 among the most successful in the nation.

This past year saw the introduction of the diagnosis-related hospital rate setting system, which is receiving international attention. It is a bold but promising demonstration.

Education

The right of our children to obtain a thorough and efficient education remains a legal and social goal of this State. The political and fiscal crisis which this objective created is behind us. Questions persist, however, concerning the quality of education in our schools despite increased spending to educate fewer students. New problems may arise as an increasingly aging population makes it difficult to obtain the political consensus for the financial support of our schools.

We have made progress in identifying where our educational problems remain and have begun to return to providing the basic education which our children deserve and expect. With the experience which we have now gained since the major financing and educational reforms instituted during the last four years, it is now time to assess our successes and failures in order to map our future strategy.

Some of the key questions which I hope will be examined during the next year include:

Do we have the proper structure for educational policy and governance?

Perhaps we should re-examine our traditional ideas about the need to segregate education from the political process.

Our current board structure which operates the system at State and local levels has been justified on the need to keep education

separate from the political process. Yet the politics of education is no less intense as a result of being confined to specialized education boards; the impact of education's segregation from control of elected political representatives may be to strengthen the influence of narrow interest groups, and weaken the accountability for success or failure of our educators.

How can we provide more effective incentives for performance?

The Statewide program of testing, while controversial, has given us the tools to assess the basic skills of our children. We must improve our ability to encourage educational programs or professionals with proven records of success, and to weed out those which fail. I hope that we can find ways through increased public recognition, professional advancement or monetary incentives to reward successful program and personnel performance. While teachers are not responsible for the raw material they are given, we should ensure that our current tenure system will not protect teachers who are ineffective, and thus take away scarce jobs from those who may be better prepared to enter the system as dedicated teachers. T&E studies over the past four years make it appropriate to re-examine the assumption that there is a direct relationship between the dollars spent and the progress achieved.

How do we improve the efficiency of our educational system?

Until the public is convinced that we are spending existing educational dollars efficiently, it will be impossible to obtain support for increased levels of financial support. I have previously called for expanded efforts to review potential economies in consolidation of schools and services such as transportation, and some progress has been made to address these issues.

More aggressive actions can and should be taken to gain public confidence in the efficiency of our school funding programs. One step we can take now is to eliminate nonoperating school districts since they represent tax havens. I believe that we should do this now while we continue to review more fundamental changes in school finance.

How can we make better use of school buildings and promote wider public concern for their role in the community?

I will support legislation which will encourage broader use of school facilities. By using school buildings for the delivery of other services such as housing, health, and recreation programs, we can both save public dollars and promote the school as the community center of our neighborhoods for all residents. Senior citizens would benefit from the services and social interaction these facilities could provide. Cities would gain needed focal points to stimulate neighborhood cohesion and pride. To implement this program, I will direct that relevant State agencies cooperatively review potential joint uses of facilities and ask the Commissioner of Education to take necessary steps that new school construction is not authorized until potential joint public and private uses are reviewed of existing

or proposed buildings.

How can we orient our higher education system to new constraints and goals?

New Jersey must plan now to utilize the exciting new technology which is promised by the merger of computer science with communications. The new technology may allow more focused attention on individual students at lesser cost and have important uses in home instruction, adult education, and other areas. I have directed that a program be developed to test the potential uses of new educational technology as part of the State's overall effort to plan for this new communications era.

How can we orient our higher education system to new constraints and goals?

The coordination between higher education and the primary and secondary levels of education has been improved over the past year. With fewer resources, we can no longer expand colleges to serve needs of poorly motivated students. My goal has been to give our high school students a diploma they are able to read. We are moving to strengthen the academic quality of our higher education institutions, and to insure that our secondary schools provide the necessary background for advanced work.

Enrollments at our colleges and universities have continued to expand, although demographic trends are likely to result in declining enrollments within the next few years. Under the direction of the Board of Higher Education, a Statewide Plan for Higher Education in the 1980s has been developed. It sets forth a series of enrollment and fiscal management strategies which provide for an orderly accommodation to the realities of this decade. At the State colleges, we have begun to move away from an enrollment-driven budget formula to one which is based on academic quality. If consistent with State budget constraints, I encourage the adoption of legislation which would provide for such an approach at the County Colleges and which would provide for a State presence on their boards of trustees to enhance the implementation of Statewide policy initiatives.

Acting on the premise that there should be a space and an academic program for every New Jersey resident who can benefit, we have developed new programs to meet the demands of our emergent technology. Many of these programs have been planned in cooperation with New Jersey industry and labor unions in an effort to keep the State's economy strong.

Now that we have reached the end of a period of sustained growth, we have begun to assess the ability of our system to offer programs of excellence. We have improved the admissions standards at our public four-year colleges, have set in place throughout the public sector (and in six independent colleges) an effective basic skills assessment and education system, and have initiated a policy of periodic review of existing academic programs at our public

colleges. These efforts serve the public trust well since they guarantee the student and taxpayer alike that public funds are being well spent.

Our actions have not only benefited the public colleges and universities. We have implemented the Independent College and University Act which has helped to stabilize enrollments at those independent institutions which serve a public purpose. Once fully funded, this program, which provides aid based on the number of enrolled New Jersey students, will provide those colleges with a secure financial base. Without a strong independent sector, our public institutions will be severely strained and our citizens will lose an important education alternative.

Conclusion

My administration has not shied away from controversy and contention.

We have achieved a great deal together, not by taking the easy road but by taking risks and breaking new ground.

As Sean O'Casey wrote, "Let the timid tiptoe through the way where the paler blossoms grow; my feet shall be where the redder roses grow, though they bear long thorns, sharp and piercing, thick among them!"

In the coming year, let us follow the more difficult, but ultimately more rewarding path. Let us take New Jersey where the red roses grow.