

**GOVERNOR CHRIS CHRISTIE
2011 STATE OF THE STATE ADDRESS**

**Remarks as Prepared for Delivery
For New Jersey: It's time to do the big things
Trenton, New Jersey
January 11, 2011**

Lieutenant Governor Guadagno...

Madam Speaker...

Mr. President...

Members of the Legislature...

People of New Jersey:

It is my constitutional duty to report to you each year on the State of our State.

And today, it is my privilege to report to you that the State of our State is improving— getting better every day.

Why do I say that?

State spending is down 9% in one year.

* The budget has been balanced.

* State taxes are lower— for the first time in a decade.

* The unemployment rate has begun to drop— and today is below, not above, the national average.

* Companies are beginning to take a second look at New Jersey.

Together, we have begun to do something no one thought was possible: we are turning our State around.

Without a doubt, there is much work still to be done.

But we cannot turn back now.

Make no mistake: New Jersey is coming back.

Think of where we were just one year ago:

* The FY '10 budget was over \$2 billion in deficit— with the year more than half gone and our options shrinking fast.

* The state was actually in danger of running out of cash— within weeks of not being able to meet payroll.

* We faced a deficit for FY '11 that was projected to be \$11 billion— equal to 37% of the budget— the largest deficit, in proportional terms, in the country.

* Property taxes had risen 70% in the prior 10 years.

* Independent analysts concluded we had the highest overall tax burden in America.

* Unemployment was at 10%— the highest in a generation, the highest in the region, and above the national average.

* Wealth, and jobs, and people were leaving our State.

* The New Jersey we love— the New Jersey of our youth— was in danger of slipping away.

Some were beginning to write off New Jersey, doubting we could change what the newspapers called our "old, hide-bound ways."

Back then, the state's largest newspaper opined: "taxes are too high as it is..."

Another paper put it simply: "New Jersey must change course."

The Day of Reckoning had arrived— and arrived with a vengeance.

We had a clear choice:

To continue our reckless ways, or change course and choose a new, difficult path— one that would require real political courage from all those who embraced the change.

Well, we did change course— decisively.

Today, step by step, we are putting ourselves on a better, more sustainable path— and pushing ahead on the road to growth.

Step one was to turn Trenton upside down —

To reverse the pattern of increased spending and taxing;

To upend the culture of burying problems instead of facing them.

You see, the right answer is to face big problems now ... Or face bigger ones tomorrow.

I believe in a culture of truth.

It hasn't always been easy— because some of the truths in front of us were not pleasant.

At the same time, everyone knew that the old direction was driving our State off a cliff— into the abyss of no growth, high unemployment, and a fleeing population.

But we did begin by turning the mindset of Trenton around, and today, with your help, New

Jersey's comeback has begun.

The last year may have seemed like a long and winding road, but together, we have actually changed direction quickly.

Look what has happened in just 12 months.

- * Within three weeks of taking office, we took immediate action to prevent a financial crisis and stabilize the state's finances.

- * We balanced that FY '10 budget by holding back what spending could be stopped, and averted New Jersey's cash crisis.

- * We enacted the first steps in reforming our system of pensions and benefits -- saving state and local taxpayers hundreds of millions of dollars.

- * We enacted legislation to head off the looming crisis in our unemployment insurance system—preventing a tax increase of as much as \$700 per employee for many employers.

- * We made a down payment— with unanimous support in the legislature, by the way— on an education reform package which created a permanent interdistrict public school choice program.

- * And we approved 6 new charter schools in New Jersey— a small first step... but with many more to come... Soon.

- * We passed an FY '11 budget which restored some sense of fiscal sanity— it required spending cuts from every department of state government— but we closed that \$11 billion budget gap— without raising taxes.

- * Most importantly, we took action on the problem which the people of New Jersey have been crying out for us to solve— the growth of their property taxes.

- * We capped that growth at 2% per year.

- * Then, we made the cap real by limiting interest arbitration awards to 2% as well.

And in one year, New Jersey has gone from being a basket case to being a national model.

Those same newspapers who thought we were in deep trouble are now telling a different story.

One said, we have taken "the first step in a very new direction."

Another now says: "New Jersey is setting a national example."

So make no mistake: other states are watching what we do here.

Will we turn back, because the road is too hard? Or will we press on, because the future is too important?

New Jersey is getting recognized for taking on the tough issues that politicians have refused to touch.

We are showing other states that sometimes, to create real change, you've got to go all in and show a little Jersey attitude.

And this month, new governors are taking office across the country— Republicans and Democrats— many using New Jersey as the example of how they want to lead.

The stakes are high.

For example, one state— Illinois— has chosen a very different path.

They are in the throes of debating a 75% increase in income tax rates.

Is that what we want for New Jersey?

No. New Jersey intends to remain the leader, not only in turning around the national trend of out-of-control spending and taxes, but in finding the path to growth.

So on every one of these topics, we have more and bigger things to do.

We need to balance the budget, again.

We need to put the unemployment insurance fund on a long-term sustainable path.

We need much bigger and bolder education reform and steps to save our pension system.

And we need to enact the entire tool kit which will help us stem the growth of property taxes.

So have no doubt: we are not turning back— not on my watch.

But before I turn to the future, to the task ahead, I want to make two comments.

First, who would've thunk it?

If I, or the Senate President, or the Speaker, had told you a year ago that, by December, we would have a 2% hard cap on property taxes and a 2% hard cap on interest arbitration awards, you would have told us we were crazy.

Yet here we are...

With both caps in law.

What happened?

People stood up for their principles on the one hand, but listened to the people who sent us here on the other.

This is the model for the way forward.

We must fight hard for what we believe in, but in the end, we must do the people's work.

My second comment is to say, to this Legislature, and to the public watching or listening today, "thank you."

We haven't always agreed, and we haven't always gotten exactly what we've wanted, but we have achieved compromise—and the people of New Jersey are better off as a result.

One year ago, at my inauguration, I invited the Senate President and the Speaker to engage in a symbolic handshake of cooperation—a commitment to worry less about who is getting credit and more about doing something worth getting credit for.

Today, I want to thank them both for using this last year of action to help begin to restore the public's faith in Bi-partisan government.

The change we are working to achieve for New Jersey is transformational.

So far, we have changed the terms of the debate:

* You know a lot has changed when the people of the State vote down a record number of school budgets—even though 70% of the money in school elections was spent by the teachers' unions, advocating even higher spending.

* You know the debate has changed when my friends across the aisle propose legislation highlighting the need for tax cuts to stimulate economic growth.

A year ago, they were advocating tax increases.

* You know our direction has changed when the teacher's union starts talking about tenure reform.

* And you know the world has changed when we can come together and actually begin to reform the pension and benefit system—in a nearly unanimous vote.

So there can be no question... The debate in Trenton has changed.

We have turned Trenton upside down.

But now, we must take the next step.

We must make even bigger changes in the year ahead if New Jersey is to be a place where families choose to live and work, and can afford to live and work.

It is traditional in State of the State messages to provide a long list of initiatives for the year ahead.

To touch on the plan for every department of State government.

Today, I am going to break with that tradition.

I want to highlight not the small things, but the major challenges that our state has ignored for too long, and that we must confront now.

For New Jersey: it's time to do the big things.

For this year, the biggest things fall in three categories:

One: we must stick to the course of fiscal discipline.

Two: we must fix our pension and health benefit systems in order to save them.

And three: we must reform our schools to make them the best in the nation.

On these three, what is at stake is no less than the future of New Jersey.

You see, we are in a global competition, and we are in a competition among states.

If we cannot shed regulations, reduce spending, and hold the line on taxes, we cannot attract and create the jobs our citizens so desperately need.

If we cannot make the promises of our pension system more realistic, there will be no pensions for those who have earned them.

And if we cannot repair our schools, our people will not be ready for the jobs of the future.

So our work is far from finished.

And here is where we must go in 2011— on the big things, the things that really matter.

First, we must continue the process of getting our fiscal house in order.

We achieved balance in fiscal year 2011, but our long-term deficit problem is far from solved.

It took years— indeed decades— to build up, so it cannot be solved in one year.

So let's be clear.

We can't continue to spend money we don't have.

We can't print money, and we can't run deficits.

So we have to continue to make some very tough decisions about what we can afford— and what we can't.

Next month, I will present to you my budget for fiscal year 2012.

I will guarantee you this:

It will be balanced, and it will not raise taxes.

In order for that to be true, we need to better control our Medicaid and health care costs.

We need to continue to examine the amount and structure of municipal and school aid programs.

And we need every department of state government to start from the bottom up and plan not what they want to cut from last year— but only what they absolutely must fund this year.

When I talk of controlling spending, I am doing it for a reason.

I am not proposing to cut spending just for cutting's sake.

I am fighting this fight because we have to be truthful about what we can't afford—whether it is health and pension benefits which are out of line with the rest of the country, or a tunnel which we can't pay for.

I am asking for shared sacrifice so that when we leave here, New Jersey will be more fiscally sound than when we got here.

I am asking for shared sacrifice in cutting what we don't need so that we can invest in what we absolutely do need.

Last week, former Governor Kean submitted the report of his commission on higher education, in which he made clear that our system of colleges and universities is essential to our economic growth.

Governor Kean was right and I thank him for his commission's report.

I also last week outlined needed plans for continuing to invest in New Jersey's transportation infrastructure— which we need to be world-class for both jobs and competitiveness.

But if we are to fund these investments in the future, we have to control the costs in other programs.

We need to make cuts in programs that have been shown not to work in order to make investments that will build a more productive tomorrow.

Some people say that getting spending under control and reforming the budget is the third rail of politics.

Well, I am here to tell you that I am not afraid to touch it— because its been said, opportunity expands in proportion to one's courage.

So I ask you to join me in cutting the popular in order to fund the necessary.

And I will go further than that.

It is one thing to just say no to higher taxes after decades of tax increases— 115 in the last 10 years alone.

If New Jersey is to be a home for growth, we need to reform the taxes we place on business and individuals and begin to roll them back.

So we need comprehensive tax reform -- and by that I mean changes that are considered together, not in a piecemeal approach.

In my budget next month, I will propose the initial installment of such a package.

But let's be clear: we will not put in place tax cuts that we can't pay for.

Any economic incentive package that I will sign will be enacted in the context, and only in the context, of a balanced budget.

The second big issue we must tackle this year is our antiquated and unsustainable pension and benefit system.

This cloud hangs over us — and almost every state in the union.

It is one of the reasons New Jerseyans pay the highest property taxes in America.

Nearly 75%— 3 out of every 4 dollars— of our State's municipal and county budgets are driven by personnel and labor costs.

Without reform, pension and health care benefit costs will increase by more than 40% over the next four years.

Without reform, the unfunded liability of our pension system will grow, from \$54 billion today to a staggering \$183 billion within 30 years.

Without reform, the required annual pension contribution by the state will grow to over \$13 billion annually over that same time period.

Just to put that in perspective... That is more than New Jersey spends each year on its entire system of public education.

The choice is clear— reform today, or risk disaster tomorrow.

Without reform, the beneficiaries of the system face a high risk of catastrophe which would place all of their benefits at risk.

So again, I am not proposing pension and benefit reforms just to be tight-fisted.

I am proposing pension reform for the police officers who have served— and contributed— for years, but who may find nothing when they retire a decade from now.

I am proposing pension reform for the firefighters who every day put their lives in danger to serve the public— and who have the right to expect that when the time comes, the public will serve them.

I am proposing pension reform for the teachers who put in the extra hours every day to help their students.

We now must put in the extra hours to ensure the system is solvent for them.

The pension and benefit reforms I have put forward are simple, straightforward, and sensible.

- * We must modestly raise the retirement age in an era of longer life expectancy.

- * We must curb the effect of COLAs in a time of low or no inflation.

- * And we must ensure a modest but acceptable contribution from employees toward their own retirement system.

- * Finally, if we can make real reform a reality, the State must also begin to make its pension

contributions.

Without reform, the problem we face is simple:

Benefits are too rich, and contributions are too small, and the system is on a path to bankruptcy.

A recent independent study found that the pension funds of 11 States will be out of money by 2020, just 9 years from today.

New Jersey is one of those states.

That is an unacceptable outcome.

So to every beneficiary of the system: I am fighting for your pension.

And to the members of the legislature, I say:

Please join me in doing so.

Now as part of our negotiation on interest arbitration, the Leadership of the Legislature promised to take up this necessary package of pension and benefit reforms.

Now is the time for us to finish what we started last March.

We should pass this package now.

If you do, I will immediately sign it into law.

The third critical action item for this year— perhaps the biggest thing of all for the future of our State— is education reform.

We cannot ask children and families stuck in chronically failing public schools to wait any longer.

It is not acceptable that a child who is neglected in a New Jersey school must accept it because of their zip code.

We must give parents and children a choice to attend better schools.

Why do I say this?

Let me tell you a story.

A few years ago, I visited the Robert Treat Academy in Newark.

Like those in many charter schools, the slots in this charter school— because it has been so successful, and because we do not have enough charter schools— are limited.

So the slots were allocated by lottery.

Near the end of my visit, I asked a mother of one of the students how she felt on the night her son was in the lottery.

The way she framed the issue was simple, and in so many ways tragic.

Whether her son was chosen for this lottery, she said, meant the difference between him going to college— or going to jail.

Over 100,000 students are trapped in nearly 200 failing schools.

This awful situation is unacceptable in New Jersey.

We made some progress this year, with the interdistrict choice bill, with the expansion of charter schools, and with Mark Zuckerberg's landmark \$100 million gift to Newark.

I thank Mark Zuckerberg, and I look forward to continuing my work with Mayor Cory Booker to reform Newark's schools.

But we need to tell those children, and those families, trapped in poor schools that we are coming— and that before this Legislature goes home we will give them more help toward improvement, more hope, and more choice.

Our commitment to these principles is why I have asked, and I am honored to have, my friend, former D.C. Schools Chancellor, Michelle Rhee in this chamber today.

No one in America has been more clear that we must change our public education system— from one that caters to the feelings of adults to one that prepares our children for the challenges of the 21st century.

Michelle, thanks for coming today, and count New Jersey among those who are finally putting our students first.

We must expand the charter school program beyond the six we approved this year and the 73 operating in New Jersey.

That is a top priority.

I am ready to work with you, the members of the Legislature, to attract the best charter school operators in America to New Jersey;

To increase our authorizing capacity so they can start charter schools here;

To implement the interdistrict school choice law we passed last year;

And to send help now to children in failing schools by passing the bi-partisan opportunity scholarship act, without any further delay.

Overall, statewide per pupil spending in New Jersey is the highest in the nation, at over \$17,600 per student.

But our results in terms of achievement are not number one, and they are not uniformly excellent or even acceptable.

In multiple categories, and at multiple grade levels, the gap between at-risk students and those

not at risk has not changed little in years— and it is way too high.

We must end the myth that more money equals better achievement.

It is a failed legal theory— and we can no longer waste our children's time or the public's money waiting for it to finally work.

The time for real reform is now.

Here is what we must do:

We must empower principals.

We must reform poor-performing public schools or close them.

We must cut out-of-classroom costs and focus our efforts on teachers and children.

I propose that we reward the best teachers, based on merit, at the individual teacher level.

I demand that layoffs, when they occur, be based on a merit system and not merely on seniority.

I am committed to improving the measurement and evaluation of teachers, and I have an expert task force of teachers, principals, and administrators working on that issue right now.

And perhaps the most important step in that process is to give schools more power to remove underperforming teachers.

The time for a national conversation on tenure is long past due.

Teaching can no longer be the only profession where you have no rewards for excellence and no consequences for failure to perform.

Let New Jersey lead the way again. The time to eliminate teacher tenure is now.

Now, let's be frank.

The issues I have highlighted today are difficult.

The process of cutting the budget;

Of being realistic about pension and health benefits;

And of reforming our schools will get harder before the results make them seem easy.

No doubt, in the months ahead, we will have to fight.

Some might even say that I have been too ready for a fight— that my approach has been too tough and too combative.

That's for a reason.

It is because the fight is important.

It is vital.

The reality is I'll fight when it matters.

It matters because I have seen what so many New Jersey families are dealing with each day.

For them this is not about politics— it is about their life.

I fight when the issues are big— when it matters the most.

Sometimes that means we won't agree.

Sometimes you will oppose my proposals, and I will oppose yours.

Sometimes I will veto a bill.

But when I do so, it will be because I genuinely believe it's in the best interest of the people of New Jersey.

150 years ago, after his election and before his inauguration, Abraham Lincoln spoke here in this building— in the Statehouse in Trenton.

On that day, speaking to a Legislature controlled by the other party, Lincoln noted:

"... It may be necessary to put the foot down firmly. And if I do my duty, and do right, you will sustain me, will you not?"

"Received, as I am, by the members of a Legislature the majority of whom do not agree with me in political sentiments, I trust that I may have their assistance in piloting the ship of State through this voyage, surrounded by perils as it is;

"For, if it should suffer attack now, there will be no pilot ever needed for another voyage."

Our challenges are different today, but our resolve must be the same.

Because then as now, what is at stake is our future.

22 years ago today, another American leader spoke to his people.

Famously, he was about big things— he focused on a major change in the direction of the country.

It was president Ronald Reagan, one of my personal heroes, and on this day in 1989 he gave his farewell address to the Nation.

He talked about America standing for freedom, not for the first time, but rediscovering it.

That is what is going on in New Jersey.

We don't have to re-invent our state.

We have a diverse and highly-educated workforce, a phenomenal base of infrastructure, and a state with physical beauty and tremendous talent.

Today, we in New Jersey must rediscover our strengths— and put them to work for our people.

Reagan also pointed out in that speech that once you begin a great movement, there is no telling where it will end.

In the last year, we have begun a new movement in New Jersey.

A movement back to our roots.

Back to economic dynamism and growth.

Back to pride in our State.

We cannot say today where it will lead and all that will come of it.

But we know that the path of change is better than the path of stagnation that we were on.

I was determined when I took the oath of this office to give the people an honest assessment of our problems.

To tell them the truth, even if it was difficult and my proposed solutions were unpopular.

And to this day, I ask that I be measured by that standard— I will always do what I said I was going to do.

I may not offer the easiest course, but I will be direct in saying which course I believe to be the best.

Our Nation, and our State, face major challenges ahead.

But those of us entrusted to serve the public have the chance to stand up and fight for what really needs to be done at this critical time.

So today, we cannot turn back.

We owe it to the people of New Jersey to press on;

To fight hard when it really matters;

And to work every day to create real hope for a brighter future.

For just as president Reagan spoke of America as a "shining city on a hill," I believe New Jersey can once again be a beacon— a national leader in everything from economic growth to education, and a wonderful place to prosper, run a business, and raise a family.

And my commitment to you today is to fight alongside each and every one of you to make it so.

Thank you, God bless New Jersey, and God bless the United States of America.

