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STEVE ADUBATO, host:

New Jersey's fiscal house is not in order. The state's debt stands at more than \$30 billion despite a recently announced budget windfall from tax revenues. Governor Jon Corzine's efforts to sell his controversial toll hike plan have met with strong opposition, and the massive debt remains. With the economy still sagging, where does New Jersey go from here? The governor takes your calls to talk about what's important to you. Live, it's CORZINE ON THE LINE.

Hi, I'm Steve Adubato. Welcome to the third installment of CORZINE ON THE LINE. We are thrilled to have Governor Jon Corzine here in the studio at 13 WNET.

Governor JON CORZINE: Good to be here.

ADUBATO: Good to see you, Governor.

I want to make it clear that we are being simulcast. You can watch us anywhere in the state of New Jersey. We tapped the state on both ends, two PBS stations, the New York--the flagship, the PBS flagship 13 WNET, and down in Philadelphia WHYY TV-12. Now, on the radio you can catch us on two NPR affiliates. We have WBGO Jazz 88.3 FM, and also, out of Philadelphia, WHYY 91 FM. And listen, there are some people, Governor, believe it or not, who want to watch this program online. And so you can watch us on nj.com, which is the Star-Ledger's online site.

Listen, folks, there is no excuse. This is an electronic town meeting. You can talk to the governor about any issue. You may have heard, we're having some fiscal problems.

Right, Governor?

Gov. CORZINE: I've heard that. I've seen that. We're working on it.

ADUBATO: Well, before we take...

Gov. CORZINE: We're working on it hard.

ADUBATO: Governor, before we take our first call, listen. Last time you were here, you were about to introduce a massive plan to deal with a 30, 35, \$36 billion debt.

Gov. CORZINE: Debt...(unintelligible).

ADUBATO: That's the accumulated deficit. Big...

Gov. CORZINE: It was also designed to make sure that we had capacity to invest in our roads and highways and bridges and railroads and schools and open space. It was a program--probably a little aggressive, at least that's what I hear from the public--and we've had to--had to rethink how we're going to do that. Because the toll increases, particularly in light of what has

happened to gas prices...

ADUBATO: Right.

Gov. CORZINE: ...and the general economy, just didn't sit well. And I heard it, and I think the public expected us to go back and fix our current financial affairs. And that's what we've been working on with the budget. We're pushing, as I talked about in those town hall meetings, for a constitutional amendment to limit borrowing to what is approved by voters. We're going to try to pass a law before the budget that would say we won't have revenues grow faster--or expenditures grow faster than revenues come in.

ADUBATO: Got to make some tough cuts.

Gov. CORZINE: Got to make some tough cuts. And we're going to actually cut spending year over year as much as has been done since 1950.

ADUBATO: Well, Governor, we're going to go through some of those very specific cuts, because there are people concerned. A lot of people say they're concerned about the cuts, but the reality is people are asking for the government to be cut, the size of government, and the debt is not going away anytime soon.

Gov. CORZINE: Steve, may I, before we get started?

ADUBATO: Sure.

Gov. CORZINE: The basic principle is we can't spend more than we take in. At home, you can't spend more than you earn. If you do, you borrow, and pretty soon you go bankrupt. New Jersey, for the last 20 years, has been growing at an increasing rate of about 7 percent a year, and its revenues have only been growing at 3 percent. That's how we ended up with that \$32 billion deficit that you talked about. But we also borrowed from other things, like the unemployment trust fund, which we had to put money in to keep from having a tax increase.

ADUBATO: That was a fund--I don't want to get too detailed, but that was a fund that was supposed to be there for people who went on unemployment, previous governors and legislatures tapped into that fund and said, 'Hey, wait a minute. Let's balance the budget.' That was wrong.

Gov. CORZINE: Right, \$4.7 billion over the last 12 years have been borrowed from that fund, and now we only have about \$300 million in that fund and we're in the midst of a recession. And it hit a trigger point that we have an obligation to put either new money in or raise taxes so that we can fund our responsibilities with regard to unemployment.

ADUBATO: You...

Gov. CORZINE: So we've figured out how to put money into that to save the taxpayer from having to pay higher rates.

ADUBATO: Ready to do this, Governor?

Gov. CORZINE: Absolutely. Let it go.

ADUBATO: We're going down into the south Jersey area.

Watching us on TV-12, on WHYY, is this Pat? Pat, are you there?

PAT: Yes, I am.

ADUBATO: Pat, welcome. I'm Steve Adubato. More importantly, Governor Corzine's here in the studio.

Gov. CORZINE: Hey, Pat.

PAT: Good evening, Governor. I'm concerned about health care for the working poor. I know a young couple, they both work full-time but they're just making it by, and their employers do not offer health insurance. I was wondering how you could help them.

Gov. CORZINE: Big problem in New Jersey and across this country. And as you hear in the debates among the presidential candidates, it's one of the prime issues in the--in the national scene. We have probably the most aggressive health insurance offering to children of any place in the country. And...

ADUBATO: Is that through the program called New Jersey Family Care?

Gov. CORZINE: Family Care. And we just expanded it by working with Horizon, an insurance company, to offer cut-rate prices, low prices, about \$300 a month for a child, which is very, very low, everyone would understand that, up to four children in a family, for anybody over \$72,000 in income. Before that, lower levels, we actually offer Family Care where the state and the federal government pick up the bill. It's called Kids Care and other...

ADUBATO: Right.

Gov. CORZINE: So we have a very aggressive program. Then we do a lot of work in insuring adults up to 133 percent of poverty. This is about \$30,000, \$32,000, and that we offer Medicaid to. And we're really pushing very hard to make sure that we get as many adults in--and there's a debate now about expanding that program.

ADUBATO: And to that point, Governor, we have a video question coming in from the Star-Ledger, our Star-Ledger partners, in just a second.

But I have to ask you something. Senator Joe Vitale is the...

Gov. CORZINE: That's what I'm...

ADUBATO: ...chair--I know--of the Senate Health Committee. We had him on our sister program "Inside Trenton" recently, and he said, 'Look, we need universal health care in the state of New Jersey.' And he's proposed a plan that gets very close to that. If in fact--and it's moving through both houses of the legislature. If that legislation moves through and is brought to your desk, would you sign legislation calling for universal health care in the state of New Jersey?

Gov. CORZINE: Steve, if we identify what we're going to cut to allow ourselves to pay for that, I will sign that. I'm in favor of it. I've been talking about universal health care when I was a United States senator...

ADUBATO: Well, why not lead the effort?

Gov. CORZINE: I will lead the effort as long as we can come up with the money to pay for it. And, as you know, I'm having a little bit of trouble in my conversations with the legislature about paying for even the things that we have on the table today.

ADUBATO: Including the number of people--there are over one million New Jerseyans who are uninsured and do not...

Gov. CORZINE: One point four.

ADUBATO: ...1.4 million who go to emergency rooms, must be treated by law, and it's called charity care, and you've in fact cut charity care to urban hospitals, and a lot of those hospitals have been closing. How do you reconcile that? Because you want to expand health care.

Gov. CORZINE: Hold on. Steve, what we have done is make a progressive system of how we're giving out charity care. We have limited resources and we did cut back on charity care. But our essential or safety net hospitals we cut very, very little.

ADUBATO: Mostly in urban areas.

Gov. CORZINE: Urban--all those that are in urban areas that have high concentration of uninsured, we're barely cutting and maybe we'll even restore even those cuts. Then we've cut more heavily on places that have substantial but not overwhelming numbers of uninsured. And then there are hospitals that have very, very little charity care service that they give--they give some, but not overwhelming. Not like...

ADUBATO: Because--excuse me, because the payer mix is such that the people can pay.

Gov. CORZINE: If you--if you...

ADUBATO: They have insurance.

Gov. CORZINE: If you're in Summit, New Jersey, where I lived for 25 years, Overlook Hospital has very little charity care.

ADUBATO: Right.

Gov. CORZINE: It has some. It's not like they have none. But it's less than what you would have at Beth Israel...

ADUBATO: In Newark.

Gov. CORZINE: ...in Newark. And those hospitals we have to protect because it's the only way to go.

ADUBATO: I want to welcome our friends at the Star-Ledger video team. They've been out on the streets bringing in questions, and let's go to our first Star-Ledger video question.

Mr. WILLIAM WAGNER (Montclair, New Jersey): Governor Corzine, it seems to me that there's a tremendous amount of inequality between the public schools in the affluent communities in New Jersey and those in the less affluent, in the

inner cities. I'm curious as to what you will do with state funding to try and make sure that all students in New Jersey have an equal opportunity at a good education.

ADUBATO: Go for it, Governor.

Gov. CORZINE: Great question. First of all, the state of New Jersey, long before I was governor, through court orders and repeated efforts, have created what is called the Abbott System, which is making sure that we spend as much money on children in our urban areas that we spend in the highest income level communities around the state.

ADUBATO: And Abbott--excuse me, Governor--refers to a Supreme Court case.

Gov. CORZINE: Case.

ADUBATO: Abbott versus...

Gov. CORZINE: Versus--can't remember what the--Burr.

ADUBATO: What, Abbott vs. Burr?

Gov. CORZINE: Burr, right.

ADUBATO: Which is--who was the Department of Education commissioner. The point is, these Abbott districts, I believe there are 30 or 31 of them?

Gov. CORZINE: Thirty-one of them.

ADUBATO: Thirty-one of them. The poorest districts in the state said, the constitution says, 'Hey, look, every child gets a thorough and efficient education.' You're trying to do that?

Gov. CORZINE: We're doing that. We have accomplished what I believe is fact, that's parity. We're spending as much or more, actually, in those districts which were designated...

ADUBATO: In the Abbott districts.

Gov. CORZINE: ...Abbott districts.

ADUBATO: Are we getting our return in terms of the dollars being spent?

Gov. CORZINE: Are we getting--we're doing better...

ADUBATO: In terms of student performance?

Gov. CORZINE: ...earlier in the educational process. We have in the last three or four years implemented--I guess it's five years, actually--implemented pre-kindergarten effort, full-day kindergarten, intensive reading programs. And we're beginning to see major closure in gaps in test scores all the way up to fourth grade. We see some further up the maturity ladder, and we're not seeing the kind of dramatic changes yet in high school. But that's in part because we didn't have those children in preschool.

ADUBATO: Playing catch-up?

Gov. CORZINE: We're playing catch-up. Now, there--what I have done is put in place a funding formula and, actually, one of the things I'm most proud about is to make sure that every child who's at risk, low income children, whether they live in one of those Abbott districts or whether they live in the town next door to them...

ADUBATO: Right.

Gov. CORZINE: ...which have many of the same characteristics, we're going to make sure that those children the get same economic help from the state that the kids in the Abbott districts do; that they have preschool, that they have the kinds of advantages that will lift everyone up to the level where New Jersey has one of the best performing public school systems in the country, probably the best. And what we want to do is make sure every child is there, including the ones that were formally called Abbotts, but also the ones that surround them. We call them the "rim" districts.

ADUBATO: Yes.

Gov. CORZINE: Towns that surround a lot of those Abbott districts have many of the same issues, and we want to make sure that they're performing well.

ADUBATO: Are you ready go to--we'll go down to Asbury Park. That is, in fact, Bruce Springsteen land. You ready to go?

Gov. CORZINE: We love it. I just want to say to the gentleman on the Web, nothing is a higher priority than making sure we educate our kids in this very, very tough budget environment.

ADUBATO: You won't cut this area?

Gov. CORZINE: I'm not cutting this area. We're actually putting \$600 million...

ADUBATO: I'm saying it, Governor. With a deficit and the debt that we have, this is off limits?

Gov. CORZINE: We--this is off limits. This is the thing that we, in my administration, believe is the most important contribution to the future of the state.

ADUBATO: Real quick, though, before we go to Lou in Asbury Park, you have made some cuts in higher education. Do you differentiate between higher education and--public higher education and the other school districts you're talking about?

Gov. CORZINE: Well, we think there is a--there are a number of areas in higher--in the higher education budgets that we actually can challenge whether we're effectively spending those dollars. There's been real challenge to one of our great medical universities...

ADUBATO: That's right.

Gov. CORZINE: ...about how they were running their operation.

ADUBATO: The University of Medicine and Dentistry.

Gov. CORZINE: Medicine and Dentistry.

ADUBATO: That's right.

Gov. CORZINE: There was real questions about--that came out of what we call a SCI. It's a Special Commission on Investigation.

ADUBATO: State Commission on Investigation. They looked and they said there was a lot of waste, fraud and abuse.

Gov. CORZINE: Who looked and said there's a lot of waste. And so what we're trying to do--and we have much smaller cuts in higher education than we do in other parts of the budget--we have tried to be disciplined and make sure that we share the cuts. The thing that we didn't cut was tuition aid. We are--and you're going to speak about...

ADUBATO: For the poor--for the poorest kids going to college.

Gov. CORZINE: Poorest. Poorest kids, right.

ADUBATO: But tuition may go up, though, Governor.

Gov. CORZINE: That's true. But we are trying to make sure that we continue to provide what are called tuition aid grants, and we are sticking with trying to help the kids get into college.

ADUBATO: All right, Governor, I'm backing off. I'm talking too much and Lou has been patient in Asbury Park. And I also want to plug the telephone number, it's 1-800-922-8813. One more time, you see it up on your screen. But if you're listening to us on the radio or on the Web, it's 1-800-922-8813. Also, you can e-mail your questions. We have tons of e-mail questions that came in. But we'd be glad to take a really good one during the show. It's democracyworks@caucus--C-A-U-C-U-S--nj.org. That number's up as well.

Lou, I want to thank you for being so patient down in Asbury Park. Please speak to the governor.

LOU: No problem. Thank you, Steve. And thank you Governor Corzine.

Gov. CORZINE: Lou.

LOU: My question is concerning the arts. And, historically, funding for arts programs are often the first to get cut during challenging economic times. And it's especially difficult for cities which are experiencing a revitalization, such as our beautiful city by the sea here, Asbury Park. You've been quoted on record saying how much you value arts programming. My question is, how can we work together to protect these programs in the face of other drastic cuts?

ADUBATO: But the way, Lou, real quick, you're watching us on 13 WNET?

LOU: Yes, I am.

ADUBATO: Just want to clarify. Go ahead.

Gov. CORZINE: Lou, I am, unfortunately, responsible for a lot of things that

people would consider tough cuts not because I want to, but because we don't have the resources to actually fund all of those things that we would want to do. We have protected education, we've protected the most vulnerable, the people who are--really don't have a safety net in our world, and public safety in its general format, making sure that we have police officers and other folks able to protect the public.

Outside of that, we have been very committed to across-the-board cuts, and we've tried to do it on a--on a relatively equal basis, not perfectly equal, and the arts have had to participate in that. It's not something that I want to do, it's something we have to do if we're going to live within our means. And I am more than happy, as I've suggested and already once tonight and will in other areas, if we want to take other cuts to satisfy some of the demands in the arts, I'm willing to do that. But it has to come with choices about whether we're going to fund additional health care, whether we're going to have additional charity care, whether we're going to restore some of the funding for our universities. We have to look at it as a total picture, because we can't spend more than we take in. It's roughly \$33 billion.

ADUBATO: Here we go. Governor, I said we had e-mail questions, but I underestimated the number. Literally hundreds of people have written in with e-mail questions. And let's try one from Phil, who is in West Orange. Family leave legislation, huh?

Gov. CORZINE: Proud of it.

ADUBATO: All right. Well, Phil's got some concerns, Governor. He says, 'Governor, you recently signed paid family leave legislation into law.'

Gov. CORZINE: I call it paid family insurance.

ADUBATO: Well, Phil sees it a little bit differently. He calls it 'Family leave legislation that would be funded by a \$33 a year payroll tax on every New Jersey employee.' Phil says, 'Should that amount prove to be insufficient to fund this family leave initiative, will our payroll taxes skyrocket in future years to pay for it?'

Gov. CORZINE: No. We don't think it will, based on what we think the use of paid family leave will be, or paid family insurance. We've looked at the experience in California and we've tried to put together numbers that we think are realistic. I believe strongly in this. You know, Steve, a year ago at this time I was going through a pretty tough time personally; my own mistake that allowed that to happen by not wearing my seat belt, which I encourage everyone to do. But the fact is that my family was with me that whole time. You've had issues in your family; you stand by the people that you love. If you don't have the economic wherewithal, you have to make a choice of whether you're going to stand with your family or whether you're going to keep the resources coming in. This is trying to help particularly low income individuals, families have the ability to take time off to support their families. I think it is an investment that individuals support, and we have fought for it for a very long time. I think this has been debated for almost 12 years in the...

ADUBATO: Governor, real quick--sorry for interrupting.

Gov. CORZINE: ...legislature.

ADUBATO: Even in the--sorry for interrupting. Even in the smallest company?

Gov. CORZINE: Even in the smallest company.

ADUBATO: Company has 14 people, 12 people, six people.

Gov. CORZINE: Absolutely. Why...

ADUBATO: Because it used to be 50 or over.

Gov. CORZINE: Why should we discriminate because someone works in a small company? I understand that there can be...

ADUBATO: Some of the small--excuse me. Some of the small business owners that I'm friends with say, 'Governor,' they love the idea, but, 'Come on, I'm a real small company.'

Gov. CORZINE: Steve, the fact is if your family is going through a tragedy, that doesn't recognize whether you're a big company, a small company, whether you work in a, you know, in a grocery store or whether you're in a law firm. People struggle, and I think this is one of those things that works to support families. It's one of the real family value statements I think we make as a state.

ADUBATO: That question came from nj.com, again, our Star-Ledger online site. We'll be going to Penny from Secaucus, who had an online question, in just a second.

Gov. CORZINE: But let...

ADUBATO: Go ahead, Governor.

Gov. CORZINE: If this turns out to be so disruptive in two, three...

ADUBATO: The family leave.

Gov. CORZINE: Family leave program, then we could review it. But I think we ought to err on the side of trying to help families as opposed to taking the view that we were going to turn our back on them. I don't--I don't understand that. We ought to work...

ADUBATO: But you're--but you're willing to look at it if it costs more than you thought it was going to cost?

Gov. CORZINE: I'm willing to look at it over a period of time.

ADUBATO: OK.

Gov. CORZINE: All of that.

ADUBATO: You know, it's interesting. Over here at 13 WNET, we have viewers in three states. And in fact you would think that only folks in New Jersey would care about what's going on, but that is not the case. I believe we're going to Port Jervis, is that right? We are going to Chris, who is watching us on 13.

Chris, welcome to CORZINE ON THE LINE.

CHRIS: Good evening. And good evening, Governor.

Gov. CORZINE: Good to hear that New York accent.

ADUBATO: Could you tell?

Gov. CORZINE: Yeah.

ADUBATO: Talk to us.

CHRIS: OK. My question is, I have a question about the closing of state parks. I live in Port Jervis, New York, and High Point State Park is actually in my backyard.

Gov. CORZINE: Mm-hmm.

CHRIS: Part of your plan that I've read recently is the closing of four state parks in the state of New Jersey. How do you feel about this becoming your legacy as being the only governor in the history of New York--New Jersey to close state parks?

Gov. CORZINE: Well, you may--you may have missed it, but my state treasurer went in front of the legislature last week, and we have moved away from that recommendation. There is one park that gets flooded on a regular basis. We end up spending almost as much as we were going to save from the whole project by constantly refitting that park. But we're going to keep the parks open. We're going to cut other things and move back to that area. So hopefully...

ADUBATO: Not closing parks?

Gov. CORZINE: Not closing parks.

ADUBATO: Real quick, Governor, because Chris raises a great question. You proposed closing the parks not because you wanted to but, again, you felt we needed to cut back.

Gov. CORZINE: Right. We wanted to do it across the board.

ADUBATO: I understand, Governor. But is it on some level frustrating when you propose these cuts that you say have to be done, that people say they want, then you propose cutting the parks in order to save money and close the deficit, and people say, 'Oh, no, no, no. Not the parks.' Is it somewhat--I'm not going to say disingenuous, but is it confusing sometimes to understand clearly what most people want?

Gov. CORZINE: Steve, everybody has things that they are most concerned about in their lives. We've already heard it tonight.

ADUBATO: Yes.

Gov. CORZINE: You talked about charity care because there's a lot of hooting and hollering, legitimate, within the medical community.

ADUBATO: The hospital community, right.

Gov. CORZINE: In the hospital community. We hear people talking about the

arts. We--people talking about higher education. There--the problem is we spent way ahead of our ability to actually pay for the things that we were doing. And, you know, I'm not liking this job from the standpoint of having...

ADUBATO: You dislike the job?

Gov. CORZINE: No, I love the job. But I don't like...

ADUBATO: You don't love the cuts.

Gov. CORZINE: I don't like going down a list and saying we're going to take this out and we're going--we're going to cut down on the arts, which I know make a big difference in the quality of life. Or that we're not going to spend money in upgrading our highways and that we're taking risks that I don't think we should be doing. That's frustrating. It's frustrating to the people who are on the receiving end, and that's my job is to try to get our finances in order so that we can actually take care of those projects.

ADUBATO: We are going back out to the streets of New Jersey, the Star-Ledger video team is bringing another question to the governor. Let's go to the videotape.

Ms. GIGI HSU (Lawrenceville, New Jersey): Governor Corzine, we have such serious deficit in this state. What are you doing to help solve this problem? We're all looking for you for your leadership.

Gov. CORZINE: Thanks, Gigi. We're talking about that. You know, we're trying to lay down a framework where we don't spend more than we take in. And this year, because of the falloff in the national economy--actually, I think we're in a recession, and I, you know, I hear economists battling around--we are--we don't have revenues even to finance what we spent last year, and we're cutting almost \$600 million away from the level of spending we did year over year. That's a very tangible step. We were going to freeze spending when the economy was doing well and we had to revise it and actually make cuts.

Second of all, we're working to pay down our debt. We ended up with better collections in 2007 than we anticipated. It's not where our tax revenues are in 2008 and what we think they'll be going forward, but when we got a windfall in 2007, we've used that to pay down debts so we don't have as big a charge card bill.

ADUBATO: Governor, is the toll hike plan that you proposed and went out to sell in those town meetings, you proposed 800 percent--an 800 percent increase...

Gov. CORZINE: Over 14 years, please.

ADUBATO: Over 14 years. I--well, Governor...

Gov. CORZINE: Please, over 14 years.

ADUBATO: OK. Well, let me ask you, is part of the reason why the plan appears to be dead was that the media portrayed it as an 800 percent increase over 14 years, and people could not get past that number?

Gov. CORZINE: I think the public had serious questions about whether that

was going to undermine their economic security.

ADUBATO: Was it too much...

Gov. CORZINE: And right now it was probably as aggressive as anyone could conceive because our problems are about as serious as any place in the nation; maybe, around the globe. The fact is, we are deeply indebted. This state has \$32 billion in bonded debt, it has a \$28 billion unfunded pension liability, a \$58 billion unfunded post-retirement medical payment to make to our teachers.

ADUBATO: These are people who are our state employees, teachers, who are owed this money when they retire, and we don't have it.

Gov. CORZINE: We already signed the contracts.

ADUBATO: We don't have it.

Gov. CORZINE: We don't have it. We borrowed 4 1/2 billion plus from our unemployment trust fund. We raided every single way we could get money. And so I'm stuck with a real problem because we do need to be making investments to keep New Jersey viable and efficient as we go forward. We need to invest in our roads.

ADUBATO: Is the toll hike plan dead?

Gov. CORZINE: As proposed, it is virtually impossible to conceive how it could pass.

ADUBATO: Is there still a good chance, Governor, that toll hikes will happen?

Gov. CORZINE: Well, some restructuring of the plan will occur. As soon as we get the budget done. I think what I promised when I went out and talked to the public was that we were going to get our financial house in order. I talked about a constitutional amendment on borrowing. I talked about limiting spending to no more than revenue growth. And I talked about freezing spending. On the first three elements of the plan that I talked to the public about, we're going to deliver those.

ADUBATO: Right.

Gov. CORZINE: We're going to deliver those. And so I think we will have made a lot of progress, and then we'll come back and talk about what's possible.

ADUBATO: Folks, if you're listening to us on our two radio stations, WBGO Jazz 88.3 FM and also out in Philadelphia, or down in Philadelphia, WHYI 91 FM. And also whether you're watching us at nj.com, the Star-Ledger's Web site or 13 or TV-12 in Philadelphia, I want to make sure that I give the number out again. It's 1-800-922-8813, 1-800-922-8813. You can also logon and send an e-mail question.

We are going to Montclair, my hometown, Governor. It is...

(Graphic on screen)

DemocracyWorks@CaucusNJ.org

Gov. CORZINE: Beautiful city.

ADUBATO: It's a great city. And Dave is on the line watching us on 13.

Go ahead, Dave, you're here with the governor.

DAVE: Yes, thank you. Governor...

Gov. CORZINE: Hey, David.

DAVE: Hi. People in the private sector are being increasingly asked to accept higher insurance premiums, make larger copays as they, you know, endeavor to have medical insurance and pharmaceutical insurance...

Gov. CORZINE: Sure.

DAVE: ...coverage. Is that something that is within the realm of possibility for you as you discuss the budget with state employees?

Gov. CORZINE: Dave, people don't--aren't--haven't been focused on the fact that in last year's contract, for the very first time, we took a cost-sharing approach of 1 1/2 percent of salary of every public employee to go against health insurance. That's about 10 percent on average. Lower income folks, it's a little less. Higher income folks, it's a lot more. And we actually agree with you. We need to be supporting--the employee needs to be supporting just as it happens in the private sector. We increased the copays on a whole host of the pharmaceutical and other issues. And we dropped and got the teachers to drop what is called a traditional plan, but it was an indemnity plan. That was pay for service, and they went into what looks more like what everybody else has, a...

ADUBATO: Are you getting more givebacks than ever before?

Gov. CORZINE: There was never any givebacks. You know, we actually for the first time, first time cost sharing with health insurance. We actually increased copays in a very aggressive manner. There's large savings, almost \$100 million.

ADUBATO: Governor, when I say givebacks, what I mean by that is are you getting the public employee unions to compromise in a way that hasn't happened in the past? I didn't mean that in a negative way.

Gov. CORZINE: Steve, no, no, I understand. People don't focus on the details. We went from in 19--in 2001, the legislature and the governor went from 60 to 55 on our retirement age. We just changed it back from 55 to 60 in this last contract.

ADUBATO: Should it be 65?

Gov. CORZINE: Well, of course it should be, but how do you get there? Is there a step path? Do you--or do you have revolution? And, you know, we have to also hold down the cost of wages. You know, we went to the bargaining table. We got inside this cap, this 4 percent cap. We got 3 percent wage increase one year, 3 percent the next year, 3 1/2 the third year and 3 1/2 the fourth year. We tried to pull all that together so that we could get payments on health insurance, so that we could get an increase payment on pensions, so that we could cap out what is in the defined benefit program. All of those

were elements of the settlement. Five things: cost sharing on health insurance, we made sure we went from 55 to 60, we capped out the defined benefit program, we got 1/2 of 1 percent additional contributions to the pension--that's money out of the employees' pockets--and we capped what is the defined benefits.

ADUBATO: You're also pushing for some early retirement right now...

Gov. CORZINE: We are right now.

ADUBATO: ...which is going to save how much money?

Gov. CORZINE: Well, we think...

ADUBATO: Short answer to this.

Gov. CORZINE: ...\$130 million, first year; \$160 million over the succeeding four or five years.

ADUBATO: Governor, this is from Penny.

Gov. CORZINE: By the way, I have to say that's the most important step that we're taking.

ADUBATO: Early retirement?

Gov. CORZINE: We're reducing--well, in the context of reducing the size of government. Since I've been in office, we've reduced the number of employees to 2,000 people.

ADUBATO: Right.

Gov. CORZINE: This will reduce the number of employees another 3,000, to 30...

ADUBATO: By letting people who are eligible for retirement get out a little bit earlier and...

Gov. CORZINE: It's not early retirement, it's a retirement incentive. We're only going to give it to people who are already ready for retirement.

ADUBATO: The number is 1-800-922-8813. I'm sorry for cutting the governor off. I just know that there are many, many people who have very insightful questions.

Real quick e-mail question. This is Penny from Secaucus. We happen to know she's a corporate executive, a friend of ours who heard you were going to be on the show. She asks a great question. She said, "Governor, many small business owners are really upset about your proposed spending cuts in the Small Business Development Corporation." I don't want to get too inside, but basically it says, "The cuts will also affect the matching funds that would normally come from the federal government from the US Small Business Administration. Why would you make those cuts, Governor, if it's going to cause money on the federal end to be cut?"

Gov. CORZINE: First of all, I think the cut is \$450,000 in a budget of roughly 33 billion. It is very, very small. We have a number of economic

development programs and lending programs--urban investment funds, UEZ, the Urban Investment Zones.

ADUBATO: Right.

Gov. CORZINE: That are in place--in Urban Enterprise Zones--that we think are more powerful in how we get money into the pockets of small businesses.

ADUBATO: So is New Jersey a good place to live?

Gov. CORZINE: I think it's a great place to live.

ADUBATO: A good place to stay?

Gov. CORZINE: We have the best school system in America. The very best.

ADUBATO: Talk about the economics? Good place?

Gov. CORZINE: We have the highest income in America. Some of our viewers in Connecticut might argue with us, but it's either Connecticut or New Jersey for the last decade. We have had 4 1/2 percent growth in income for the people who live here. So I think there are a lot of reasons that this is a good place. We have the best paying jobs.

ADUBATO: I got it.

Gov. CORZINE: We have excess of \$100 million person marketplace. I don't think this is a bad place to live, I think it's a great place to live. We've got great universities. There's a lot of reasons people want to be here.

ADUBATO: Real quick. Before we go to the next video roll in. A colleague of mine on the talk radio side, different station, WABC, Curtis Sliwa who's had you on many times said, 'Make sure you ask the governor why he talks about North Carolina.' Because he said that you have some connection to North Carolina. He said, here's--how about all the New Jerseyans who are losing--moving to the Carolinas. Here's the point of his question. 'Aren't we losing a lot of wealthy New Jerseyans to states like North and South Carolina because it's a better tax state for them?'

Gov. CORZINE: There is real competition, not only in North Carolina, but we have competition in Singapore, and we have competition around the globe these days. There are lower tax environments in other parts of the country, but then they don't necessarily have the same schools, they don't have the same markets, they don't have the same opportunity to live in a world that is as interesting as the ones in this metropolitan region and the ones in southern Jersey where you've got lots and lots of activity that turns people on. The fact is, though, that we have a constant movement in the--in the United States to the South...

ADUBATO: Right.

Gov. CORZINE: ...when people retire.

ADUBATO: It's a big move to the South.

Gov. CORZINE: It's a big move.

ADUBATO: Florida, the Carolinas.

Gov. CORZINE: There's no question that people move south when they retire. And guess what? The baby-boomer generation is aging into the time when they're going to retire. It's a big bubble. We're going to see the number of people on Social Security go from 35 million to 75 million over the next 15 years.

ADUBATO: Well, Governor, by the way, I just got word. We're going to go to Camille in East Brunswick in a second, but--listening to us on 91 FM. We have three or four e-mail questions that just came in on the same question.

Am I right, Joanna?

On the same--on the video roll ins that we have from the Star-Ledger on the exact same topic. People concerned about people leaving the state.

We're going to 91 FM, are we, guys? Who do we have on the line? Camille?

Camille, you are watching us down in East Brunswick or listening to us on East Brunswick?

CAMILLE: Yes, I am.

ADUBATO: By the way, I want to thank you for being with us. This is an electronic town meeting, Governor. Every media platform you can imagine.

Gov. CORZINE: We love it.

ADUBATO: We love it. Camille, talk to the governor.

CAMILLE: Governor, what is your plan or what are you doing to change the funding of education as it's tied to the local property taxes, which makes an enormous burden on us in light of the Abbott Bill?

Gov. CORZINE: Camille, I have talked about this earlier in the show, we are putting \$600 million into funding for education and most of that is going to those districts that are not what are labeled in yesteryear's language Abbotts. It's going to districts that have been very hard pressed because they've gotten limited state support. I'm the first governor in a long time that has, back-to-back years, put money into the educational system, which is the primary driver--the primary driver of our property taxes. That 55 percent of everybody's property tax bill is for education. And in some communities, it's a lot higher. So helping on the distribution of funding is going to make a big difference.

You know, by the way, Steve, you know we don't get credit for it, but we also increased the rebate program.

ADUBATO: You don't want to talk about that, Governor?

Gov. CORZINE: No, no, I want to talk about it. Ninety percent of the folks are going to receive their rebate. We cut it for people above \$150,000.

ADUBATO: To clarify, Governor, this is a tax rebate that the state sends to certain tax payers.

Gov. CORZINE: Property.

ADUBATO: For property tax relief. Governor, I've got to ask you. Given the fiscal situation in this state, given how tough things are, Governor Richard Codey and some others have said, 'Wait a minute,' the president of the Senate, 'Wait a minute. Everyone wants to get that rebate, but maybe we should cut out the rebate for everyone other than seniors who are poor and renters who have no money.'

Gov. CORZINE: Steve...

ADUBATO: Is that a good idea?

Gov. CORZINE: No. It's absolutely not because the most regressive tax, people who have the least ability to pay, it...

ADUBATO: Property tax.

Gov. CORZINE: ...the property tax doesn't relate to their income, and those property taxes have gone up and the rebate goes against that. And it goes for our middle class families, \$100,000 income and less...

ADUBATO: Yes.

Gov. CORZINE: ...are going to receive the same \$1200 that they got last year. You subtract that from the \$6800 bill, and I think that's a...

ADUBATO: Property tax bill.

Gov. CORZINE: Average property tax bill and you're down, as you know, to...

ADUBATO: Can we afford to do this, Governor, because...

Gov. CORZINE: Of course. For Camille...

ADUBATO: But it also costs money to send it.

Gov. CORZINE: For Camille's question.

ADUBATO: Yes.

Gov. CORZINE: For Camille's question, it is absolutely essential we do it.

ADUBATO: Right.

Gov. CORZINE: People are burdened, and if we don't sustain this, then I think we're failing, particularly in the context of middle income and moderate income families.

ADUBATO: Well, Governor, you've tapped a nerve because I believe we have a Star-Ledger video roll on the issue of mergers.

Is it, Joanna? Joanna Caplan, our producer. We have a great team behind the scenes here at 13 that you don't get to see, but they are making things happen. Let's go to our Star-Ledger video roll in on the issue of merging communities.

Mr. REGGIE WRIGHT (Princeton Township, New Jersey): The question I have today is in reference to the merger of the township and the borough. For example, Princeton Township and Princeton Borough. They're a small community, and I know there's some issues with regards to the government possibly trying to merger some of the smaller communities together. I'm wondering if you can give us some insight as to how that's going to happen.

ADUBATO: Great question.

Gov. CORZINE: Great question, Reggie.

ADUBATO: It is.

Gov. CORZINE: Five hundred and sixty-six municipalities, 614 school districts.

ADUBATO: Too many?

Gov. CORZINE: Got 180 fire districts. We have more units of government than any state in the nation per capita. It's one of the reasons our property tax bills are high.

ADUBATO: Because the schools...

Gov. CORZINE: Reggie...

ADUBATO: Because the towns are so small.

Gov. CORZINE: Small. And, well, it's not because they're small, it's because we replicate fire chiefs, police chiefs, school superintendents, all of the infrastructure via the computers.

ADUBATO: Not efficient?

Gov. CORZINE: Not efficient. It may not be that the small towns are inefficient, but when you add it up together, we end up paying a lot more for government than we need to, and everybody's property tax bill goes up. Reggie's in Princeton Township or Princeton Borough. I think they've had votes on this three or four times over the last 25...

ADUBATO: And what's the--every time, what do they say, Governor?

Gov. CORZINE: Every time they say no.

ADUBATO: They say no. We want to stay separate.

Gov. CORZINE: We want--we want to control our own business.

ADUBATO: What's the price they pay for that?

Gov. CORZINE: And cumulatively, across the state, that is one of the primary drivers of the high cost of property taxes. You can't pay in a replicated basis for all of these services. And then, you know, by the way, you have to pay for the pensions and the health care benefits of all of those various units of government. And yes, some of them are more efficient, some of them are less, but it ends up we have to pay everybody the same or you get a big hoot and holler about how you distribute it. So almost like the question you

and I had on charity care to the hospitals.

ADUBATO: Yup.

Gov. CORZINE: Everybody either gets treated one way, or you have a formula that is based on income, and there's a lot of replication. Economies of scale are real. There's a reason everywhere else in the economy at large and in the world at large, that people try to find the optimal size for units of government. We are working on that. We passed, in last year's property tax reform, real disciplines on school districts. We put county superintendents in charge of looking at the budgets of each of the school districts. They have a responsibility to come back and talk about the districts that don't even have schools.

ADUBATO: But, Governor, real quick.

Gov. CORZINE: Those things will happen.

ADUBATO: I appreciate that. Before you go to another question, I have to get a quick answer to this: 614 school districts, 567 municipalities; by any standard, it makes no sense. Why not just say across the board, if your town is smaller than 5,000, you will no longer get state aid because to do that only perpetuates the problem. Could you ever pass that in the legislature?

Gov. CORZINE: As you know, Steve, some genius came up with that idea that we would do a substantial reduction in the small town contributions.

ADUBATO: Yes.

Gov. CORZINE: And that didn't...

ADUBATO: And that genius was?

Gov. CORZINE: That might be the current administration and yours truly. And there's been a big brouhaha, and we're going--we're going to adjust it. We're going to put some money back in the towns under 5,000; a little bit in the towns between five and 10. We've seen more activity about consolidation...

ADUBATO: Voluntary.

Gov. CORZINE: ...that's voluntary...

ADUBATO: Right.

Gov. CORZINE: ...since we made this suggestion. We've seen, I mean, I've talked to mayor after mayor. They're not real happy with me, but they are looking for ways to combine their 911 services, their sewer services, their...

ADUBATO: Police? Fire? Schools?

Gov. CORZINE: ...police, fire, lots of things.

ADUBATO: OK.

Gov. CORZINE: That is going on. And unless we make money, the basis on which--how people are going to look at it--and by the way, we're going to give them a reward. We're going to give them funds for the effort that they make

in regard to consolidation.

ADUBATO: Incentives.

Gov. CORZINE: So it's not just a stick, it's an incentive.

ADUBATO: Folks, I want to remind you, you may be watching us on 13 WNET, that's the PBS flagship here in New York; TV 12, WHYY in Philadelphia, that's the PBS station down there; two NPR affiliates, WBJO Jazz 88.3 FM and WHYY 91 FM and nj.com, the Star-Ledger's online site.

Listen, I want to tell folks that I know there are a lot of e-mail questions. The governor and his team have promised to take every one of these questions, read every one of them and give serious consideration to every one. It's--listen. We'd love to get to all of them. It's a one hour program.

Are we going to an e-mail question? We have an e-mail question from number three, from Mario. Here we go. This is a question from Mario. I'm stalling, Governor, because the Mario question is not in front of me.

Gov. CORZINE: I do that myself once in a while.

ADUBATO: Do you ever stall like that?

Gov. CORZINE: Just a little bit.

ADUBATO: On live TV, you can't go that long. Mario's calling from Richfield. Boy, this is a good one. Legalized sports betting, which your good friend State Senator Ray Lesniak is talking about, and Mario says, 'Governor, why haven't we tried to legalize sports betting? We already have casinos, which generate tremendous revenues for the state, the governing bodies are in place, and it seems like a natural progression given the fact that the states have the money. Why not expand legalized sports betting?'

Gov. CORZINE: Great idea. One problem, the federal government controls legalized sports betting, and they outlawed it except for four states--which they gave exception to--and they were going to give New Jersey the ability to do that in the 1990s, and we decided not to.

ADUBATO: Was it a mistake?

Gov. CORZINE: It is a mistake. I think it would've helped Atlantic City build its franchise. It would've been greater reason to come. It is not going to happen. We can go into court and spend a lot of money, but the fact is, is that the Congress has the authority over this, based on the legal advice I take, and we...

ADUBATO: You can't do anything about this?

Gov. CORZINE: I can't--you can pass a law, but it is illegal at a federal level. This is not an issue for the states to control.

ADUBATO: Will the courts knock it down?

Gov. CORZINE: We don't believe so.

ADUBATO: All right.

This is Arlinda, who has been patiently waiting in Plainfield, watching us on WNET 13. Arlinda, welcome to CORZINE ON THE LINE. I'm Steve Aduato. Talk to the governor.

ARLINDA: Governor, the state of New Jersey has a very high car insurance rate. What are you going to do about that because we are struggling here with car insurance.

Gov. CORZINE: Linda, we're not going to make everything perfect, but the fact is, is that our auto insurance rates have stabilized dramatically, and...(webcast ends here)