

State of New Jersey

Governor Phil Murphy

New Jersey Leaders React to the Office of the State Comptroller's Performance Audit of the Economic Development Authority's Tax Incentives Programs

01/10/2019

"State resources of this magnitude would have kept people in their homes and should have been used make NJ a more affordable place for all. During the time that \$11 billion in tax incentives were being distributed, nonprofit community developers were working with a very modest tax credit to strengthen communities, create jobs, and build affordable homes. We have tirelessly encouraged the expansion of the Neighborhood Revitalization Tax Credit (NRTC) program, one of NJ's biggest public-private partnership success stories, from \$15 million to \$30 million. Despite the NRTC's rigorous oversight and proven success, leveraging \$5-\$7 for every dollar invested, state resources were being siphoned elsewhere. At the same time, the prior governor raided the state's housing trust fund claiming there was no funding available. We hope the Murphy Administration and legislative leaders look into every avenue to recoup these tax dollars and going forward, make investments into programs that will help build a thriving NJ." - **Staci Berger, President and CEO of Housing and Community Development Network of New Jersey (the Network)**

"We have been sounding the alarm about these wasteful, ineffective corporate giveaways for years. They have always been a way to give the hard-earned tax dollars of working families to wealthy corporations and business owners and they have rarely, if ever, delivered the benefits promised to working people. Today's audit shows that the abuses were as bad as we always feared. It also shows, definitively, that we should not continue to divert precious New Jersey tax dollars toward unnecessary corporate welfare programs. We are glad that Gov. Murphy's administration is telling New Jersey taxpayers the truth about how their tax dollars were wasted under the previous administration. We urge the Legislature and the Murphy administration to end this failed approach and instead invest in the things that really help New Jersey's students and working families: a \$15 minimum wage, full funding of our public schools, affordable higher education and other progressive policies that put tax dollars to work for the people who are the heart and soul of our state's economy and the best hope for a prosperous future. It's time to stop letting corporations hold us hostage with threats to move, only to take our tax dollars and offer no benefit in return. Instead, let's invest in our schools and in our people. Smart employers will understand that New Jersey is the best place to build a successful business because it offers a talented workforce, vibrant communities and a quality of life that makes people want to live here. We should invest in the quality of life and stop paying ransoms to corporations that don't care about New Jersey's working families." - **Marie Blistan, President of New Jersey Education Association**

"While small business owners like me struggled for years to obtain loans and secure capital, an incompetently managed state EDA gave away billions of dollars in tax breaks to enrich CEOs and corporate shareholders. Instead of giving tax breaks to large corporations, the EDA could have invested in main street and small businesses, who would have re-invested their profits in their communities. Small business owners create more jobs and create more GDP for the economy than a company that wants tax payers to subsidize them. We call on a full investigation of the state EDA and echo Governor Murphy's call to overhaul the agency. Our businesses and communities deserve nothing less." - **Kelly Conklin, Committee Member of NJMSA Steering Committee and owner of Foley Waite LLC in Kenilworth**

"Clean Water Action applauds Governor Murphy and the state's comptroller for conducting a thorough audit of the Economic Development Authority (EDA) and announcing major reforms. It is long overdue. The audit affirms what Clean Water Action has been saying for decades – corporate hand outs have provided little to no benefits to the New Jersey economy other than to line the pockets of stockholders and polluters at the expense of taxpayers. The

state must end its reckless practice of corporate giveaways to those who least need it. More often than not, corporate welfare fails to deliver the promised jobs and economic benefits and prevents needed investments in New Jersey. It is unconscionable that corporate tax credit recipients claimed the system with unverifiable procedures that favored giveaways over real results – more jobs and a stronger economy at a time when New Jersey was lagging behind others after the 2008 crash. Multi-billion precious tax dollars could have been utilized for the greater good – funding green energy innovations, environmental protection, lead abatement, affordable housing, educational improvements and so much more. Instead of signing over a blank “do nothing” check to corporations maybe we could have avoided the extreme cuts (more than 25 percent) to the NJ Department of Environmental Protection (NJDEP) workforce, a 75 percent drop in enforcement actions against polluters, as well as raids to the Clean Energy Fund and NJ Transit. Governor Murphy's Economic Development Plan as released last year calls for a “Stronger Fairer NJ” and investing in people and communities. As we enter next year's state budget process, we join Governor Murphy in his efforts to ensure that the state invests in real people, produces permanent family supporting jobs, and lifts up neighborhoods that have long been left behind in the past.” -**Amy Goldsmith, New Jersey State Director for Clean Water Action**

“Make no mistake. The EDA's ‘tax breaks’ for certain companies are corporate welfare, which drains the state budget and skews the tax code. As we have said many times before, the government should not be in the business of picking winners and losers and this report proves just that. The findings highlight corporate cronyism at its worst. This issue unites people across the political spectrum. At Americans for Prosperity, we work with anyone to do good and no one to do harm. We thank Governor Phil Murphy for doing the right thing by ordering the audit of this EDA program, as a major step toward reducing cronyism. We look forward to continuing to work with the administration on policy solutions and rallying citizen-activists across the state to transform New Jersey for the better.” - **Erica Jedynak, State Director of AFP-NJ**

“Today the State Comptroller released a report on the Economic Development Authority Audit ordered by Governor Murphy last year. The comptroller found that \$179 million in corporate tax incentives given under several state programs were improperly awarded between 2005 and 2017. The report also finds that billions of dollars issued to corporations were done so without adequate oversight or transparency and that there is no real evidence they provided any economic benefit to our state and people. Meanwhile, the United Way of Northern New Jersey's 2018 ALICE (Asset-limited, Income-constrained, Employed) report indicates the number of poor and working poor in New Jersey grew between 2007 and 2016, with African Americans and Latinos disproportionately among the poor due to structural racism imbedded in our systems nationally and statewide. In 2007 there were 29% of people in the state unable to meet all of their basic needs for themselves and their families. The number of people struggling to meet even basic necessities like housing, food, transportation, and health care rose by 2016 to 38.5% or nearly 2 out of every 5 New Jersey residents. Our state's economy has not grown much since the Great Recession leaving many families vulnerable to falling off the cliff into deeper poverty and homelessness. What many in our state need are good paying jobs, but the comptroller also found that about 20% of the jobs that should have been created or retained under tax incentives could not be verified. “Over the same time that poverty was rising and we were giving away money to corporations, funding was cut significantly in the state budget for vital programs for homeless services, housing assistance, and Temporary Assistance to Needy Families (TANF). Families and individuals finding themselves unable to balance their household budget on incomes that are too low in our high-cost state were left without critical assistance to help them back on their feet when they were most vulnerable. For example, until this past year the TANF benefit level had remained at the same level since 1987 and was worth half of its value in today's dollars for families to buy essential items. Due to the stagnant benefits, only 10% of poor children in New Jersey were covered under this program in 2017 compared to 100% of poor children when the benefit was last increased. To increase the benefit level for our poorest families would have cost our state a small percentage of what we have spent, with little result, on corporate tax incentives. The money spent on these lavish tax incentive programs could have been better spent by supporting the people of our state. We need to make real investments in all of our residents to see valuable returns in our state's economy.” - **Renee Koubiadis, Executive Director of APN**

“The lack of oversight, inadequate monitoring, and dubious practices highlighted in the recent audit report of New Jersey's corporate tax breaks are unacceptable. BlueWaveNJ calls for an immediate halt to the granting of tax incentives until there is a full investigation and accounting of the \$11 billion in corporate giveaways and until the current rigged system is replaced with a fair and transparent process that provides verifiable economic benefits for all New Jersey residents.” **Marcia Marley, Blue Wave NJ**

“Experts and advocates have sounded the alarm on New Jersey's ballooning corporate welfare programs for years, and this damning report proves us right. New Jersey gave away \$11 billion in tax breaks to some of the most profitable companies in the world, with very little apparent benefits in return. Big corporations got a big payday, while New Jersey taxpayers were fleeced by Chris Christie's EDA and business-backed Democrats in the legislature. The good news is these broken programs sunset this year, giving us an opportunity to revamp this broken system and radically reform New Jersey's tax incentive programs to deliver the transparency, accountability, and fiscal

restraint New Jerseyans deserve. The revamping of this system, however, should not be carried out in the traditional backroom way legislators have grown accustomed to. We are prepared to demand a public and transparent process with greater participation from impacted communities. New Jersey Working Families leads the Better Choices for New Jersey campaign, a decade-long effort by education, environmental, labor, and community advocates to promote common sense investments that make New Jersey work. Better Choices partners have led the fight for transparency, accountability, and fiscal restraint in New Jersey's tax incentive programs. In 2015 Better Choices called for a moratorium on major EDA programs. Over the years the Better Choices have made multiple calls for legislation to increased transparency around economic incentives. Annually the coalition have held multiple press conferences and questioning mass incentives announcements." - **Analilia Mejia, Executive Director of New Jersey Working Families**

"Today's audit of the EDA is the latest in a long line of findings, both by state government and independent organizations like NJPP and McKinsey, that New Jersey's lavish corporate subsidy programs operate with little oversight and no evidence of spurring economic growth. Every New Jersey taxpayer should be furious knowing that the state has handed out billions of dollars in corporate tax breaks – with no real strings attached – while simultaneously cutting funds for public schools, NJ Transit, and state colleges and universities. The state's failure to produce annual reporting, as required by law, is an insult to taxpayers who expect state dollars to be sufficiently monitored. The lack of oversight and monitoring undermines the integrity of a tax subsidy program, and more importantly, trust in state government. By their very design, the state's incentive programs favor corporate interests over the well-being of the state's economy and its working families. The need for robust reform of corporate subsidy programs has never been clearer, and the proposals outlined today by the Governor are a critical first step in the right direction. Specifically, the state should place strict annual caps on the state's largest subsidy programs as a mechanism to improve accountability and oversight." - **Sheila Reynertson, Senior Policy Analyst at NJPP**

"Today's report is jarring, but not surprising. For years, we've heard elected leaders claim New Jersey's public workers are to blame for our state's fiscal problems. Recently, some legislators even claimed that middle-class workers earning modest retirement benefits will "squeeze out" spending on critical social programs and education. This report is yet another reminder of the actual truth: The real reason our state's financial future is in peril is that, for far too long, New Jersey has showered politically-connected corporations and the super-wealthy with taxpayer-funded hand-outs. This \$11 billion could have gone towards so many worthy endeavors – funding education, property tax relief, essential services, retirement security for public workers, roads, bridges, NJ Transit and so much more. Instead, it went into the pockets of already-profitable corporations. We call for an immediate suspension of any grants or awards until legislation ensuring oversight and a fair deal for taxpayers can replace the current, rigged system of corporate welfare. Furthermore, we request an immediate investigation from appropriate law enforcement agencies to determine if laws have been broken, as well as action to reimburse taxpayers for any incentive or grant awarded that violates the public trust. Finally, we call on legislative leadership - from both parties - to acknowledge that attacks on middle-class workers who work hard every day providing services to our state must stop, while we instead examine and rectify the serious policy mistakes that have been made in this area." - **CWA NJ State Director Hetty Rosenstein, ATU NJ State Council Chairman Ray Greaves, ATU International President Lawrence J Hanley, AFSCME NJ Council 63 Executive Director Steve Tully, IFPTE Local 194 President and President of the Hudson County Central Labor Council Barry Kushnir, IFPTE Local 195 President Tim Rudolf, Newark Teachers Union President John Abeigon, Union of Rutgers Administrators, AFT Local 1766 President Christine O'Connell, Council of State College Presidents Tim Haresign**

"A report released earlier today by the state comptroller confirms what the NJ Work Environment Council (WEC) and our partners have been educating on and advocating around for decades: that our economy in the United States, and in New Jersey, is rigged to benefit the ultra-rich. The report, which detailed a vast failure of oversight and implementation in the state Economic Development Authority's (EDA) tax incentive program, found that the EDA could not identify if the \$11 billion of incentives given out since 2005, which went to highly profitable corporations, generated any economic benefit to the state. That's \$11 billion which could have gone to building New Jersey's communities. But New Jersey's economic system, our tax code, and our policies are very often not written for us. They are written to dish out corporate welfare, so that wealthy executives can line their pockets while destroying jobs, failing to stimulate or contribute meaningfully to our economy, and polluting our environment. Workers and taxpayers have felt this at every turn- as our state government bends over backwards to please corporations and moneyed interests, in hopes that they will somehow save our economy, our wages remain stagnate, our working conditions fail to improve, and our public infrastructure continues to deteriorate. It is time we demand an economic development plan in New Jersey which values and puts first the workers who do the building, and who make up our communities and our state. Any plan which puts the interest of corporate owners before the vast majority of New Jersey's families and workers is a failure. WEC denounces the actions of the EDA under the Christie administration, and will stand with our allies in demanding a more just economic development plan in the coming years." – **New Jersey Work Environment Council**

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