

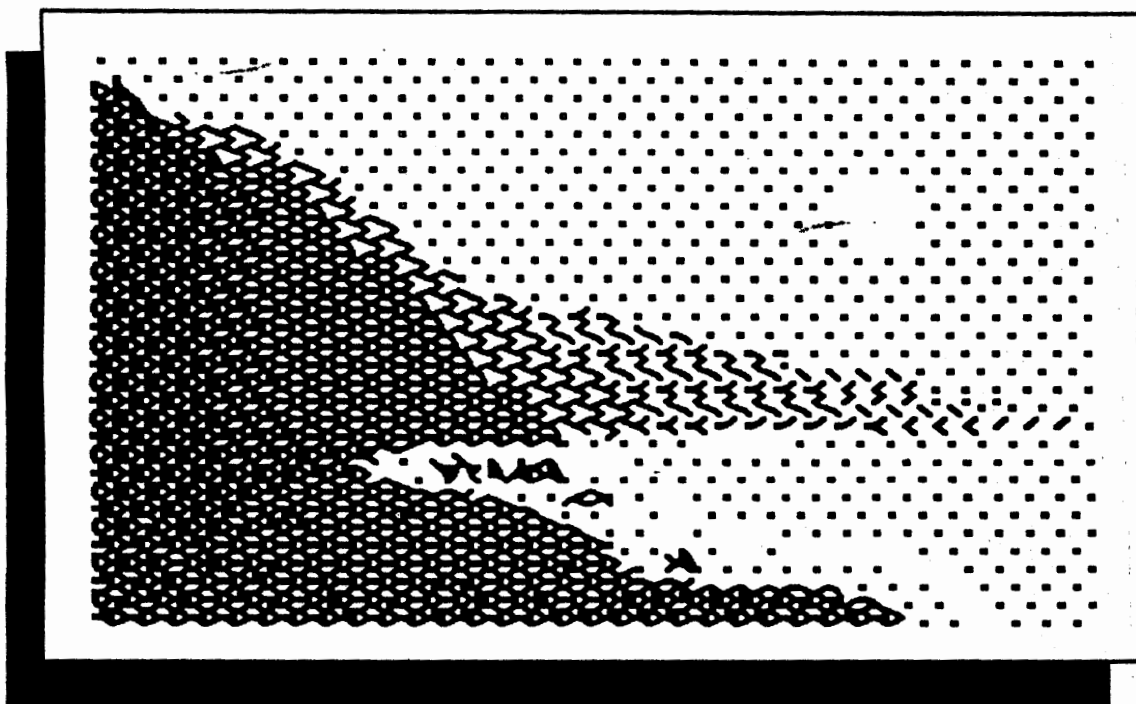
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Assembly Task Force on Business Retention, Expansion, & Export Opportunities

AUGUST 1994

A New Tide of Change: Blueprint for Growth



EXECUTIVE SUMMARY

Chairman, Assemblyman Joseph Azzolina

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NEW JERSEY GENERAL ASSEMBLY

CAPT. JOSEPH AZZOLINA, USN (RET.)
ASSEMBLYMAN, 13TH DISTRICT
MONMOUTH-MIDDLESEX COUNTIES
ONE ARIN PARK BUILDING
1715 STATE HIGHWAY 35
MIDDLETOWN, NJ 07748
1-908-671-4906
(FAX) 1-908-671-5260

COMMITTEES
CHAIRMAN, VETERANS,
MILITARY AFFAIRS & GAMING
MEMBER, COMMERCE &
REGULATED PROFESSIONS
REGULATORY OVERSIGHT
CHAIRMAN, USS N.J.
BATTLESHIP COMMISSION

August 15, 1994

TASK FORCE
CHAIRMAN, BUSINESS RETENTION
EXPANSION & EXPORT
OPPORTUNITIES

Hon. Garabed "Chuck" Haytaian
Speaker of the N.J. General Assembly
Route 517, Suite 212
Hackettstown, N.J. 07840

Dear Mr. Speaker:

Since the inception of the Assembly Task Force on Business Retention, Expansion, and Export Opportunities in February, the individual Task Force members have given so freely of their time by attending various Task Force meetings and participating in conference calls to identify key issues of concern and a plan of action to initiate major reforms. I am proud to submit this preliminary report of findings and recommendations, **A New Tide of Change: Blueprint for Growth**, for your review.

My special thanks to all the private and public sector members whose expertise form the backbone of this preliminary report. Their contribution to this project is invaluable. Their names and organizational affiliations are duly noted within the contents of this report.

I also appreciate the legislative staff support. Deb Smarth (Assembly Majority Office) helped coordinate meetings and information sharing among all the Task Force members and worked closely with the non-partisan Office of Legislative Services (OLS) to access relevant data. In that regard, I would like to thank Ed Westreich (OLS) for assisting with certain research aspects.

Three full Task Force meetings were held - March 29th, May 18th, and June 14th - to reach out and receive input from the regulated public. Their input was an important part of this process. Several conference calls were held among the various sub-committee panels to set the direction for the Task Force's study. In addition, I and other members as well as staff visited personally with Commissioner Gil Medina and other key management at the Division of International Trade and Economic Development Authority.

These findings lay the groundwork for much needed structural, process, and programmatic changes.

I appreciate the opportunity of having worked with all the Task Force members. We intend to stay active to further discuss and study these important issues.

I look forward to future endeavors concerning the potential gradual phase-in of these recommendations and the introduction of legislative measures that will effectuate these reforms.

Sincerely,



Assemblyman Joseph Azzolina
Chairman

**NEW JERSEY STATE ASSEMBLY TASK FORCE ON
BUSINESS RETENTION, EXPANSION,
AND EXPORT OPPORTUNITIES**

A task force formed to assist the revitalization of New Jersey's economic growth through the promotion of state businesses, the attraction of new industry, and the expansion of foreign trade.

TASK FORCE CHAIRMAN

ASSEMBLYMAN JOE AZZOLINA, Middletown
Chairman - Assembly Committee on Veterans, Military Affairs and Gaming
President - Food Circus Supermarkets, Inc.
Captain, USN, (Retired)

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ASSEMBLYMAN STEVE CORODEMUS, West Long Branch
Assembly Majority Whip
Chairman - Assembly Task Force for UCC, Fire Safety and Housing
Code Enforcement and Fees
Member - Assembly Education Committee
Member - Assembly Environment and Energy Committee
Member - Assembly Financial Institutions Committee
Partner: Corodemus & Corodemus

ASSEMBLYMAN LEROY J. JONES JR., East Orange
Member - Assembly Financial Institutions Committee
Member - Assembly Local Government Committee
East Orange City Business Administrator

ASSEMBLYWOMAN MAUREEN OGDEN, Millburn
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Member - Assembly Policy and Rules Committee

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MR. JOSEPH ANTONELLO

Comptroller, Girard Equipment Company, Rahway

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Former President, Kysor International, Red Bank

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K-Tron International, Inc., Cherry Hill

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Vice President, Procedyne Corporation, New Brunswick

MR. ROBERT COACKLEY

President, Telenex, Mt. Laurel

DR. PATRICK A. DIASSI

Consultant, Pharmaceutical Group Technical Operations

Bristol-Myers Squibb Company

Former President, Chemical Division/E.R. Squibb & Sons, Westfield

MR. NICHOLAS GALLINARO

Chairman and CEO, GAR International Corporation, Hazlet

DR. RICHARD KLEIN

President and CEO, Sybron Chemicals, Birmingham

MR. JOSEPH MCNAMARA

Project Director, Overseas Business Opportunities

Port Authority of New York and New Jersey, NY

MR. HENRY G. PARKER III

Former Managing Director and Executive Vice President, Chubb & Son, Inc.

International Insurance Advisor, Warren

MR. JOHN PELL

Former Senior Vice President, International, Midlantic Bank, Princeton

MR. ROBERT SCHATTNER

President, Omnimed, Mapleshade

MR. NEIL SHERIDAN

Project Manager, Division of Economic Development, Jersey City

MR. FREDERICK S. TIPSON

Vice President, International Public Affairs, AT&T, Morristown

MR. STEVE VAN CAMPEN

President, Gilbert and Van Campen, Belvidere

ACADEMIA

DR. SAUL K. FENSTER

President, New Jersey Institute of Technology, Newark

DR. EUGENE SIMKO

School of Business

Monmouth College, West Long Branch

LAW

MR. ANASTASIUS "TASSOS" EFTRATIADES, ESQ.

Obermayer, Rebmann, Maxwell & Hippel, Haddonfield

**ASSEMBLY TASK FORCE ON BUSINESS RETENTION, EXPANSION,
AND EXPORT OPPORTUNITIES**

SUB-COMMITTEE MEMBERSHIP LIST

Business Retention Sub-Committee:

Al Angrisani
Dr. Patrick Diassi
Dr. Saul K. Fenster
Nicholas Gallinaro
Assemblyman Leroy Jones
Joe McNamara
Robert Schattner
Professor Eugene Simko
Frederick Tipson
Steve Van Campen (Chair)

Business Expansion Sub-Committee:

Al Angrisani
Assemblyman Azzolina
Bob Coackley
Nicholas Gallinaro
Dick Klein
Joe McNamara
Henry Parker
John Pell
Robert Schattner
Neil Sheridan
Eugene Simko (Chair)
Steve Van Campen

Export Opportunities Sub-Committee:

Al Angrisani
Joseph Antonello
George Becker
Leo Beebe
Karen Bickford
Bob Coackley
Assemblyman Steve Corodemus
Patrick Diassi
Anastasius "Tassos" Eftratiades, Esq.
Nicholas Gallinaro
Joe McNamara
Assemblywoman Maureen Ogden
Henry Parker
John Pell (Chair)
Frederick Tipson
Steve Van Campen

SUPPORT STAFF

Assembly Task Force Operations Directed by:
Deborah K. Smarth, Senior Policy Advisor
Trade and Economic Development
Assembly Majority Office

Researched and written by:
Deborah K. Smarth

Research Assistance by:
Kristin Dietel, Summer Intern**
Assembly Majority Office

John Murphy, Policy Analyst
Assembly Majority Office

Doug Pepe, Summer Intern
Legislative District Office of
Assemblyman Joseph Azzolina

Graphics Assistance by:
Bill Kartalopoulos, Summer Intern
Assembly Majority Office

Chuck Walker, Summer Intern
Assembly Majority Office

** Assisted in coordinating various aspects of project.

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EXECUTIVE SUMMARY

INTRODUCTION

This bi-partisan Assembly Task Force on Business Retention, Expansion and Export Opportunities was composed of seventeen (17) private sector executives from diverse industries, a representative from one of the largest cities in the State, a representative of the Port Authority of New York and New Jersey and four (4) legislators.

The Task Force was given the charge of making recommendations to the Speaker of the New Jersey General Assembly to improve New Jersey's business climate and enhance its competitive position in this rising global economy.

The loss of jobs, the closure of plants and companies and the potential for continued employee layoffs and relocations of companies from New Jersey to other states provided the impetus for the creation of this special Assembly Task Force. However, the Assembly Majority Leadership also recognized that new developments in the international arena and the global trend towards expanded free trade offers opportunities for New Jersey firms that must be tapped. Some of the ideas offered in this report should enhance New Jersey's prosperity and strategic economic position.

This report provides a blueprint plan and new direction for business retention, expansion and attraction strategies. It promotes new concepts and ways of encouraging economic growth in New Jersey by state government.

"The government can maximize security only by maximizing prosperity, and that means it has to get out of the way."
(Zuckerman, Mortimer B., "America's Silent Revolution,"
U.S. News and World Report, July 16, 1994)

The Task Force recognizes that government needs to re-think its policies and strategies so as to avoid micro-managing an economy in transition. Political instinct is more inclined to make policies that are short-term in nature, e.g. protecting workers "under the greatest threat" rather than maximizing opportunities for long-term job creation.

This Task Force report primarily promotes a new role and set of functions for the New Jersey Department of Commerce and Economic Development.

The Assembly Task Force on Business Retention, Expansion, and Export Opportunities believes that the State's old ways of doing business can no longer suffice to serve New Jersey's future long-term economic development and growth. "The transformation

of the private sector has spread to the public-sector." The corporate concepts of total quality

management, re-engineering, customer service and injecting competition into public services are applicable to the public sector.

The Task Force recommendations provide a challenge to State government - specifically the New Jersey Department of Commerce and Economic Development - and the private sector to embark on a new partnership in job creation and economic opportunities for New Jersey.

TASK FORCE FINDINGS

The Assembly Task Force on Business Retention, Expansion and Export Opportunities formulated its findings on the basis of direct testimony received from representatives of New Jersey firms, associations representing diverse industries, county economic development offices, State departments and agencies as well as a review of testimony provided to the Legislature through other Assembly and Senate commerce-related committees. The findings are also based on research efforts relating to various states' programs and specific inquiries relating to individual State departments. These findings set the framework for the Task Force recommendations.

1. HIGHLIGHTED PROBLEMS NEW JERSEY'S BUSINESS COMMUNITY CONFRONTS

- A. **Workplace Literacy:** Businesses across the state experience problems in hiring competent administrative, professional and clerical personnel due to a lack of basic skills. There are approximately 700,000 functionally illiterate New Jerseyans. More than 37,000 New Jerseyans were enrolled in Basic Education classes in 1991-1992 and many more received tutoring from various statewide volunteer literacy groups. As one executive testified: a job applicant who had been an assistant supervisor from a Fortune 100 company could not do basic math calculations. Only 30% of eighth graders in public schools are testing "competent" in the math-based proficiency standards used by the State Board of Education. The State of New Jersey must do better in math and science if it is to effectively compete globally.
- B. **Lack of Capital:** Lack of start-up capital as documented by past hearings on this issue and testimony provided to this Task Force is a real impediment to entrepreneurship, business development and growth. In the past, the State failed to launch the "Garden State Growth Fund" which would have matched Economic Development Authority (EDA)

and private investors' monies. Access to capital must be proactively facilitated in the State for new business start-ups to survive, grow and create more jobs.

- C. **A High Cost State:** Several professionals from diverse organizations as well as executives of New Jersey firms underscored that New Jersey is a costly state in which to do business. Many large corporations in the State are downsizing to reduce their bottom-line. Manufacturing companies complain about the costs of litigation for environmental, labor and health care matters. According to a recently released report, New Jersey's tax rate is 1.5% to 4.5% greater than other areas of the country. Generally, business operating costs in the State are higher.
- D. **Weak Manufacturing Sector:** Manufacturing as an employment sector has decreased from 26 percent about thirty years ago to approximately 17 percent. Jobs lost in this sector are attributable to an array of factors such as energy, labor, insurance, health care costs and environmental compliance costs. Many exciting new initiatives, however, have been launched to help revitalize this sector.

For example, "Network New Jersey (NNJ)," a broker/network/sector service center, delivers a variety of services to the State's core industries, emphasizing collaboration among government, higher education, industry, interfirm cooperation and scale of economies in service delivery to selected industries. As part of NNJ, the Paterson Textile Center (PATEX), a sectoral network of manufacturers for the textile finishing industry, was created. The center assists in marketing, environmental assessment and manufacturing productivity improvements.

- E. **Burdensome Regulatory Maze:** A recently released New Jersey Institute of Technology (NJIT) study of the impact of environmental regulations on the State business community indicates the existence of excessive fees and fines and an overly adversarial relationship to business and industry. Other states are doing a better job of attaining the dual goals of a healthier environment and a healthier economy. New Jersey should replicate those practices.
- F. **Export Financing for Small/Medium Sized Businesses Needs to be Bolstered**

The Task Force has listened to a number of anecdotal accounts and has engaged in question and answer sessions indicating that commercial banks of this state are

reluctant to provide smaller businesses with working capital needed to finance the manufacture and shipment of goods to fulfill export orders. According to the discussions held with the chief financial officer of EDA, export sub-committee members note that EDA has done outreach to banks across the state with regard to its working capital loan and NJ Worldwide export finance programs. However, to date this effort has not been reflected in a dramatic increase of small business clientele referrals, in the number of applicants, or in approved export transactions. "Only 18 companies have taken advantage of EDA's export finance opportunities totalling some \$6 million, compared to the 750 customers and three-quarters of a billion dollars worth of loans or loan guarantees under EDA's other lending programs." (Testimony from EDA before the Assembly Task Force on Business Retention, Expansion and Export Opportunities, March 29, 1994, p. 55) A new mechanism is needed to fill the gap so that export financing is "transaction" or project-based, not asset-based.

2. INSTITUTIONAL PROBLEMS AND DRAWBACKS

A. Current Information Compilation about Business Retention Efforts Lacks a Systematized Approach to Meet Analytical Needs: Testimony provided by the NJ Department of Labor to this Assembly Task Force indicated that information collection concerning factors influencing business relocation decisions are not detailed or thorough enough. Such information systems should be able to provide a ranking of reasons over a long period of time that truly reflect occurrences in the business climate. In addition, information access and transfer is not at an optimum level among the various State agencies providing services to the business community. These factors prevent the State from truly analyzing the changing circumstances of New Jersey's business climate and understanding the decline or rise of impediments to business retention and expansion. Thus, real systematic modifications (on an incremental basis) in business retention strategy and policies are impeded. The system needs improvement both from an information gathering and information coordination perspective as it relates to business retention and attraction policies across departments.

B. Proliferation of Independent Business Retention Networks and State Agencies in this Policy Area without a Single "Super-Coordinating" Body

The proliferation of inter-departmental retention and relocation programs as well as dispersed local, county, and private efforts precludes any real disciplined

"accountability" or measurement of outcomes. These fragmented efforts at best provide educational information in response to business inquiries. Action on business inquiries responded to by different States, local agencies and private actors, while verbally communicated, are not recorded on one centralized system. Therefore, the extent to which these efforts impact on an aggregate basis cannot be measured appropriately. The Task Force notes that the computer data input concerning a company that has been assisted by the "BRN", "Rapid Response Network", Labor and/or Commerce Departments is rudimentary. (SEE EXHIBIT 14)

C. **Not Enough Advertising and Promotion of New Jersey's High Quality Business Assistance and State-Offered Financing Programs**

Testimony taken by the Task Force from the business community underscored that more information needs to be disseminated about State programs. The executives who testified before this Task Force highly recommended that more of an effort be made to market and advertise the services provided to businesses.

D. **Too Many Communication Points and Disparate Contacts in State Government Delay Problem-Solving and Frustrate the Business Community**

The institutional process is such that businesses must contact many offices and various staff at different State departments in their problem solving quest. The dispersion of departmental programs and networks provides for no single accountable point agency and lends itself to red tape and delays. According to a well-known business relocation assistance firm, "New Jersey's multi-agency approach and regulatory environment make it difficult for businesses to select sites in the State or remain in the State."

E. **The Commerce Department's Present Organizational Structure and Process is Geared Toward Reactive Responses**

The lack of resources and/or the failure to strategically allocate resources has impacted on the ability of the department to be as aggressive as other states in their business retention, expansion, and attraction of new businesses. The structure and process should be more pro-active in building new institutional and community-based actors to deliver business assistance services. In other words, the Commerce Department must be "grassroots" oriented comparable to how an election campaign would be run.

F. **New Jersey's Efforts and Incentive Packages to Retain and Attract New Businesses to the State are not as Aggressive as Some Other States' Approaches**

New Jersey governors have tended to be less active in business recruitment than other states' governors such as those in North Carolina, Kentucky, South Carolina, Connecticut, Georgia. Of the 84 relocations and initial expansions into New Jersey during 1993, three-fourths of them came from intra-regional moves, 12 from other states and 9 from foreign locations. Of the relocating firms, 36% were manufacturing oriented, 15% were services oriented, 13% came from the financial sector, 6% were transportation, and 11% came from other sectors. (SEE EXHIBIT 15)

Other states have developed aggressive economic development programs which target particular companies and offer a variety of incentives. As one executive, whose company was relocating, testified before the committee: "New Jersey took a more passive approach to us coming to them, and then they would respond," in comparing New Jersey with New York's efforts. (Testimony from First Chicago Trust Company of New York before the Assembly Task Force on Business Retention, Expansion and Export Opportunities, May 14, 1994)

Additional testimony by other representatives of New Jersey firms noted that New Jersey firms are constantly approached by aggressive marketing teams from Mississippi, Wisconsin, North Carolina, Florida, Georgia and Virginia.

3. **WORKFORCE ISSUES**

A. **Basic Skills and Math/Science Literacy Investment Needed**

Despite the fact that "literacy" components exist in State programs such as the Workforce Development Partnership Program, Youth-Transition-to-Work Program, the Adult Literacy Initiative, and the Math/Science Initiative in schools, more needs to be invested in workplace literacy and math/science literacy projects. This area is viable for a public-private partnership. Without significant basic skills and math/science literacy augmentation, the State's level of entrepreneurship, inventions, innovations and future growth cannot be sustained.

B. **Business "Global Literacy" Investment Vital**

The Governor's Commission on International Trade in the past promoted "global literacy" in higher education. The State is considered among the most international and multi-cultural of states but it lacks any systematic strategies to further enhance international education and

training so that businesses can tap more opportunities. Attention should be given to revitalize efforts for this purpose.

4. HIGHLIGHTED ACTIVITY CONCERNING STATES' TRENDS IN ECONOMIC DEVELOPMENT

Recognizing the vital importance of leveraging available budget resources, many states are actively crafting comprehensive public-private business attraction, product and market development, and other critical economic support activities. "Third Wave Programs aim to stretch the states' limited development funds by using state-sponsored organizations as catalysts to foster markets and encourage cooperation among private-sector firms in cultivating technologies and products." ("Racing with the World: How States Can Build a 21st Century Workforce," Employment and Training Project/National Conference of State Legislatures, February 1994)

- A radical restructuring has occurred in states' economic development strategies. The new strategy focuses on:
 - * Competition to ensure quality services from different public and private providers instead of relying solely on government;
 - * Providing comprehensive services at the local level and automatic feedback from businesses and communities;
 - * Using incentives to encourage clusters of firms to build their capacity to do business.

Sectoral Strategies:

- Sectoral strategies have been pursued by such states as Arizona, Kansas, Michigan, Oklahoma, Oregon and Pennsylvania. Under this scenario, State government is a catalyst in creating industry sectoral organizations that enable firms to pool their resources to cooperatively learn new processes, share market information, train workers and make joint purchases to improve their competitiveness. This approach involves building a new support infrastructure so that government is not the sole supplier of business assistance services. It encourages more local level and community-based interaction. This trend allows the assistance effort to be broadened and therefore increases the number of businesses being serviced.

Strategic Economic Plans:

- Several states including Arizona, Indiana, Kansas, Michigan, Oklahoma and Oregon have implemented strategic economic plans in permanent, quasi-public commissions. Economic plans facilitate the implementation of a comprehensive statewide strategy to promote business growth. "A strategic approach to problem-solving dictates

choices, demands selectivity and focus, and requires the setting of clear priorities." ("A Kansas Vision," The 1993 Economic Development Strategy, Kansas, Inc. Board of Directors)

Benchmarking Outcomes:

- Benchmarking outcomes by use of a centralized body to measure the productivity, effectiveness, and efficiency of State programs has become another trend. Oregon measures program outcomes across various State departments. The innovative "Michigan First" Jobs Team is putting in place a mechanism to measure the effectiveness of its commerce related programs. Several states (Texas, Washington, New York and California) use a special board or commission to monitor debt related activities. These centralized systems set the foundation for incremental modifications that can improve state programs' objectives and track record.

RECOMMENDATIONS

The Assembly Task Force on Business Retention, Expansion, and Export Opportunities offers the following recommendations based on the inventory of State business related programs, general findings about other states' actions in the area of retention and business attraction as well as the changing circumstances of New Jersey's economy. The State's old ways of doing business can no longer suffice to serve New Jersey's future long-term economic development and growth. "The transformation of the private sector has spread to the public sector." (Zuckerman, Mortimer B., "America's Silent Revolution," U.S. News and World Report, July 16, 1994) New corporate concepts relating to total quality management, re-engineering, customer service, and competition are now applicable to the public sector. These recommendations offer new insights and a challenge to State government. Some preliminary recommendations follow:

CATEGORY 1 - STRENGTHEN THE ROLE OF THE N.J. DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

- 1) **RECOMMENDATION: Enhance Commerce and Economic Development Departmental Field Activity; Promote greater "grassroots" linkage with local economic development offices and business organizations on a regional basis.** (The State of New York has 10 regional offices and a special office for out-of-state firms). As one county economic development officer stated: "When I first started, we had a (State) field person come and visit our office at least once a week - We would share information and work as a team. Within the last two to three years, we have not been able to do anything. It is certainly going to hinder New Jersey in being business friendly." (Testimony of Bea

Benefit: Greater outreach, better partnerships, greater leveraging of resources (fiscal and technical), more prompt turnaround, far more accurate and timely company profiles, increased service clientele.

- 2) **RECOMMENDATION:** Develop field satellite offices as a Public/Private venture; Commerce's personnel would work in the field by region; the shift of personnel would depend on regional demographics of the business community. Such field personnel would be used to help promote sectoral organizations throughout the state (discussed in Recommendation #18). (SEE EXHIBIT 16)

Benefit: Creates more personalized service, institutionalizes better communication and outreach, creates circumstances that improve information gathering specific to that region and is customer-driven.

- 3) **RECOMMENDATION:** The Task Force recommends that the Department of Commerce "Regional" Field Personnel be responsible for launching an aggressive outreach program to the business community to help retain and attract businesses. (SEE EXHIBIT 17)

The regional personnel would be the "sales and service arm" of the Department of Commerce and Economic Development, more specifically the proposed Economic Development Empowerment Group. They would be responsible for:

- Organizing staff and recruiting outreach "volunteers" (consisting of on loan private sector employees and local government staff) as well as designing a plan-of-action to develop institutional and personalized rapport with businesses in the region;
- Becoming a catalyst to form critical industry sector networks as detailed in Recommendation #18.
- Identifying opportunities for shared office space, telephone and office equipment with the public and private sector;
- The information collected by this "outreach team" would be entered into the local computer system and electronically sent to the Economic Development Empowerment Group (Recommendation #7) within the Commerce Department for their compilation, coordination and on-going analysis;
- Developing and expanding data base as business inquiries come into the regional office, keeping an assessment of complaints and problems by individual firms and a record of steps taken to remediate problems;
- Overseeing the resolution of companies' problems and acting as key intermediary to eliminate the current situation where companies have to go

through several departments and offices on their own prior to even getting to the right party to begin resolving their problem; • Helping the Economic Development Empowerment Group (EDEG) to leverage fiscal and other resources as components of an incentive package to retain or attract businesses to the state.

Benefit: This strengthens information gathering, communication with the existing business community and other local actors, fortifies the direction towards one-stop problem solving, and expedites problem remediation. The outreach effort will also assist in formulating innovative incentive packages with high leveraging capabilities.

- 4) **RECOMMENDATION:** Reorganize the structure and process of the Department of Commerce and Economic Development in light of the suggested new roles in recommendations #1, #2, #3, #7, #18. A shifting of interested and talented personnel from low impact policy areas to high impact retention/attraction policy areas is necessary. In order to make the re-organization successful, it should be a "bottom-up" process with departmental employees involved with the formulation of the new reorganization plan in light of the new goals and objectives. (SEE EXHIBITS 18 & 19)

These changes would be done on an incremental and departmental teamwork basis. The Task Force will provide a suggested re-organization based on a review of budget information covering Fiscal Years 1988-1995.

Benefit: Re-organization will not necessarily mean "downsizing", especially in light of already pared down departmental resources. However, it would mean structuring the organization in the most effective, productive, and efficient fashion to execute new ways of doing things to expand the service base of customers and enhance the service quality. The Task Force notes that the department's budgeted positions declined dramatically from a total of 182 in FY 1988 to 96 in FY 1995. (SEE EXHIBIT 19)

- 5) **RECOMMENDATION:** Re-channel the Department of Commerce and Economic Development human resources to focus on strengthening the manpower of the Division of Economic Development and Division of International Trade to broaden service delivery, provide expedient customer service, and enhance the Department's point agency position. (SEE EXHIBIT 20 & 21)

Benefit: Both the Division of Economic Development and the Division of International Trade play a key role in

business retention, expansion and export opportunities and provide the means for permanent job creation and future growth in the State economy. In order to achieve a more pro-active role, new systems and processes need to be put in place. Shifting of staff must occur if no new resources are committed. Certainly our Task Force recognizes the profound importance of the Division for Development of Small Businesses, Women and Minority Businesses; Travel and Tourism and Research and Planning. These divisions are an invaluable part of New Jersey's economic growth on both the state and community level. However, some of the areas that the department should consider shifting include: some personnel from the Division for the Development of Small Business, Women and Minority Businesses, Travel and Tourism and Research and Planning. These divisions experienced fewer staff reductions over the past several fiscal budgets than did the Divisions of International Trade and Economic Development.

Between FY 1988 and FY 1995, the Divisions of International Trade and Economic Development had a much higher percentage decrease in staffing patterns than did the Division of Travel and Tourism and the Division for the Development of Small Business, Women and Minority Businesses (SWMB). The same holds true concerning the Divisions' budget appropriations between FY 1989 and FY 1995. (SEE EXHIBITS 20 & 21)

CATEGORY 2 - EMPOWER A SINGLE POINT COORDINATING BODY TO MONITOR AND MEASURE PROGRAM PERFORMANCE AS WELL AS COORDINATE ALL RETENTION AND NEW BUSINESS ATTRACTION STRATEGIES

- 6) **RECOMMENDATION:** Initiate a system to better evaluate and monitor state government retention efforts and outcomes as well as improve on-going information gathering about companies being assisted by the state and the ranking of factors influencing business decisions to relocate here or out-of-state.

Benefit: This would enable tracking of new (negative or positive) symptoms in the business climate and inevitably lead to more expedient changes or adjustments in business retention strategies and policies to attract new businesses into the State.

- 7) **RECOMMENDATION:** Create a Statewide Economic Development Empowerment Group headed by the Commerce Department to facilitate information input, transfer and assistance to existing State agencies involved with business-friendly goals. This single-point agency would coordinate all retention, expansion and company attraction strategies within the State. This group, composed of core staff within the Division of Economic Development, would be

responsible for designing and coordinating incentive packages. An advisory council, chaired by the Commissioner of Commerce and Economic Development and consisting of key business representatives, would provide direction and counsel to the "Empowerment Group", calling upon the Governor as necessary to make personal visits or phone contact with the chief executive officers of firms New Jersey is attempting to retain or attract. (SEE EXHIBIT 22)

Benefit: This "point" group will set business retention and new company attraction policy throughout the State. It will provide for inter-departmental sharing of knowledge about businesses being serviced through diverse programs by centralizing these details on a common database. It will also provide greater access to that information so that data currently on different computer systems (accessible to a limited few) at different departments or networks is exchanged easily. It will help determine the marketing and message strategy to promote New Jersey as a place to do business. It will also coordinate with private and local entities to better target marketing and promotional activity. This mechanism promotes better coordination and team work and prevents duplication of efforts, inefficient expenditure of resources, and double counting of business inquiries by various agencies.

- 8) **RECOMMENDATION:** Launch an aggressive marketing and information dissemination campaign, maximizing public and private efforts to promote New Jersey as a place to do business.

Benefit: A coordinated marketing effort and message strategy coupled with centralized information about business programs would maximize the effective use of public and private entities' promotion of New Jersey. The proposed Empowerment Group would coordinate all public/private efforts in marketing strategy and techniques to maximize the impact of existing multi-faceted efforts to retain firms and attract businesses to the State.

CATEGORY 3 - LEVERAGING FEDERAL FUNDS AND TARGETING ECONOMIC DEVELOPMENT AUTHORITY FUNDS BY IDENTIFYING INDUSTRY SECTOR GROWTH PATTERNS AS A MEANS OF MAXIMIZING RESOURCES TO RETAIN, EXPAND AND ATTRACT NEW BUSINESSES

- 9) **RECOMMENDATION:** Invest Economic Development Authority funds with a strategic underpinning to ensure that State Government maximizes its effectiveness and rate of return on investment. "Limited Resources available dictate that funds be used to leverage other resources and that a

limited set of tools be employed." ("A Kansas Vision," The 1993 Economic Development Strategy, Kansas, Inc. Board of Directors, p. 6)

Benefit: Targeted financing allows limited resources to be strategically allocated to build new markets for the NJ economy, new trade opportunities, and increased competitiveness. Identifying key industry sectors and targeting financing accordingly will have long-term positive benefits.

- 10) **RECOMMENDATION:** The State Commerce and Economic Development Department in cooperation with industry sector networks (whose creation is being advocated under Task Force recommendations) should identify key sectors with the greatest potential. The New Jersey Economic Development Authority should weigh this factor in its loan decisions.

Benefit: Placing emphasis on sectoral growth opportunities and making loans with this factor in mind will help focus business growth and expansion on the basis of permanent and long-term job creation.

- 11) **RECOMMENDATION:** Identify those declining industries within the State that can be revitalized and initiate a plan of action to accomplish that end by launching a partnership with the various higher education business schools.

Benefit: This inventory and study will help target State investments (loans to firms that have a real chance at rebounding) in a much smarter way and allow financing to be tied to the appropriate revitalization strategy.

- 12) **RECOMMENDATION:** Emphasize the financing of non-traditional projects (not necessarily business loans) and strategies that generate long-term job creation and growth in order to maximize limited resources. Several states have embarked upon this strategy. (Florida, Massachusetts, North Carolina, and New York all channel funding through community-based intermediaries for multi-faceted purposes).

Benefit: Targeting funding beyond traditional business loans will enable new institutional actors and networks to provide business assistance services which promote longterm job creation. For example, financing, manufacturing and other sectoral networks can promote highly beneficial revitalization strategies.

- 13) **RECOMMENDATION:** The New Jersey Department of Commerce and Economic Development should enhance its utilization of federal programs as do other states' commerce agencies.

Benefit: Such action will more effectively leverage dollars for strategic economic growth purposes and extremely beneficial projects.

CATEGORY 4 - CREATE ADDITIONAL INCENTIVES TO FOSTER ENTREPRENEURSHIP, BUSINESS START-UPS AS WELL AS RETAIN EXISTING BUSINESSES

- 14) **RECOMMENDATION:** Eliminate or substantially reduce fiscal and other regulatory impediments on entrepreneurs by creating 2-3 year waivers or greater flexibility in potential areas of permit and other regulatory requirements, taxation policies, unemployment insurance taxes, etc.

Benefit: Greater flexibility will increase the survival of small business start-ups during its most crucial stages of development and foster its growth.

- 15) **RECOMMENDATION:** The executive and legislative branches should work together to establish a plan-of-action across State agencies to phase out to the greatest extent possible unnecessary state regulatory and fiscal impediments to business development and growth.

Benefit: By designing an aggressive plan and timetable to substantially reduce or eliminate burdensome impediments to the business community, the cost of doing business would be lowered and New Jersey would be more attractive to existing businesses as well as those out-of-state firms considering relocation.

- 16) **RECOMMENDATION:** Expand the State's current entrepreneurial assistance efforts which consist largely of the peer group program and corresponding micro-lending program to ensure that applicants from all regions of the state gain equal access to financing. Currently, this is not the case. Study the possibility of creating regional micro-business centers. (Montana channels funds through such centers and New York's Urban Development Corporation selects community-based organizations to administer microlending services).

Benefit: Encouraging entrepreneurship from a regional perspective would increase outreach and assistance levels by accessing other institutional actors (e.g. Small Business Development Centers etc.). In the long run, this effort will generate new business growth and permanent jobs for the future.

- 17) **RECOMMENDATION:** Promote greater coordination and more aggressive ventures between the Department of Commerce and Economic Development, the banking community and small

business investment companies (SBICs) in the area of business start-up financing and small business development. A consortium approach should be seriously considered to pool resources among lending institutions, SBICs, the State EDA, community-based groups, and private investors. (The state of Massachusetts has a privately owned corporation in which financial institutions pool money to provide loans to promising firms.) (SEE EXHIBIT 23)

Benefit: Access to more capital for small business start-ups through a consortium of participants will in the long run help spur new products, services and job creation opportunities.

CATEGORY 5 - DEVELOP NEW STRATEGIES TO ATTRACT AND RETAIN BUSINESSES ON AN INDUSTRY-WIDE BASIS AND THROUGH THE BUILDING OF PUBLIC-PRIVATE ALLIANCES

- 18) **RECOMMENDATION:** Modify existing Commerce Department roles and functions to help create industry sector business networks and strategies, thus bringing together businesses within sectors to share knowledge, solutions to problems and devising their own plans for competitiveness. This kind of action is being undertaken in many states. (Arizona, Kansas, Oklahoma, Oregon, and Pennsylvania use this approach).

Benefit: Enhances economies of scale in service delivery, widens scope of business services and establishes industry sector driven programs paid for by service recipients.

- 19) **RECOMMENDATION:** Initiate a more pro-active business retention and firm relocation strategy by instituting State Relocation Missions and Incentive Package Teams. The program could be piloted to help design for maximum productivity. As a result of departmental resource levels and their allocation, existing New Jersey efforts are not as aggressive as they should be, less "on the offensive" and more reactive to business inquiries. First Chicago Trust, providing testimony to the Task Force, described New York's marketing efforts as much more "aggressive" than New Jersey's.

Benefit: Of the 84 relocations to New Jersey in 1993, the majority were intra-regional moves with only twelve from other states outside the region. Just as the Division of International Trade sponsors trade shows and missions abroad, the Commerce Department should initiate such efforts domestically. Commerce should institute relocation missions in those regions of the nation which are New Jersey's biggest competition and do it in conjunction with utility companies, county economic

development departments, and interested N.J. firms to help sell New Jersey. In penetrating foreign markets for investment and business attraction efforts, the Division of Economic Development and the Division of International Trade should coordinate with the two Port Authorities (northern and southern) to utilize their international networks and share costs and expertise since they have a stake in regional development and the use of port facilities.

- 20) **RECOMMENDATION:** Promote New Jersey firms as providers of supplies and services among the New Jersey business community by offering incentives or designing a directory listing New Jersey firm suppliers by service and product area. The directory and marketing of it would be done on a regional basis in partnership with the "regional field personnel", firms, chambers of commerce, county economic development offices and other potential "sponsors."

Benefit: This research and marketing effort would enhance New Jersey firms' sales and help generate revenues in-state. In the past, Tulsa, Oklahoma and the state of Ohio promoted similar concepts. Fees for the directories could help subsidize the proposed "regional field satellite offices."

CATEGORY 6 - STIMULATE EXPORT DEVELOPMENT VIA NEW ALLIANCES AND A NEW FINANCING MECHANISM ALLOWING FOR MORE PERSONALIZED AND CUSTOMIZED SERVICES

- 21) **RECOMMENDATION:** Investigate the viability of establishing a new, more effective non-bank entity (Export Financing Company) with State seed money and matching private investments to provide export finance services to fill the gap for small and medium sized companies. Currently, despite the existence of certain banks with active international departments, small and medium sized businesses find it difficult to get pre-export financing and other export financial services. In addition, the current Economic Development Authority export finance programs and outreach to banks for their participation have not increased banking participation in the programs. (SEE EXHIBIT 24)

Benefit: Such an entity would fill a void in an important sector of our regional economy that is not being attended to as it should be. The EFC would make pre-export and working capital loans which most banks are not prepared to offer. The lending criteria of the EFC would be transaction (project) based, not asset based as is the practice of current commercial banks. Thus, loans would be made on the merit basis of the export project and transaction.

- 22) **RECOMMENDATION:** Create regional "Business Global Export Networks" throughout the State as a public-private partnership in conjunction with local resources including local business groups, small/medium sized companies that have experience exporting, local trade experts from academia and local banks. Several states, in the past or currently, have used such strategies. (Illinois, Texas, and Massachusetts use this approach).

Benefit: The Division of International Trade's budget and personnel level has decreased over the years. However, the export promotion mission should be augmented since NAFTA, GATT, Europe 1992, the Asian Pacific countries, Latin America and the newly independent States of the former Soviet Union create new export opportunities for New Jersey firms. Boosting the export promotion effort and enabling more businesses to get the services they need to become "exporters", this regional approach will strengthen resources and activate more potential exporter interest.

- 23) **RECOMMENDATION:** The State should thoroughly investigate the opportunities to more effectively leverage Higher Education's international programs and contacts in the promotion of exports, reverse investment and venture partnerships.

Benefit: Creating a blueprint plan to link New Jersey colleges and universities' contacts into the Division of International Trade's overall mission of export promotion and reverse investment would have high pay-offs.

- 24) **RECOMMENDATION:** The Task Force supports current attempts by the New Jersey Trade Division to share overseas office space with various entities like the Port Authority of New York and New Jersey. The Task Force also urges that this effort be augmented by initiating a "N.J. Firms Overseas Network Program" to use New Jersey corporate offices located in foreign countries but more importantly to access new trade leads from CEO contacts for diverse purposes.

Benefit: Such an initiative will not only supplement trade leads beyond those obtained from current trade shows and trade missions overseas but will also involve New Jersey companies helping access new leads in export, joint venture partnerships and foreign investment. By utilizing key company representatives, leads can be more expeditiously accessed, processed and implemented on fast-track.

- 25) **RECOMMENDATION:** An effort should be made by the NJ Department of Commerce and Economic Development in consultation with the New Higher Education Commission to revitalize a coordinated and comprehensive International Business curriculum to upgrade businessmen and businesswomen's skills in the international field. (It should be noted that the Michigan International Office's "Liaison Program" works with educational institutions on international education issues.)

Benefit: Doing business in countries around the world requires a knowledge of varying business rules and regulations, cultural differences, government policies and languages. In light of the State's multi-cultural and international position, emphasis on continual global education is significant.

- 26) **RECOMMENDATION:** The transition of the State economy from a significant base of manufacturing production activities to a much more services oriented economy requires that the Division of International Trade investigate (in consultation with the U.S. Department of Commerce) ways of creating a data base regarding New Jersey services exports.

Benefit: Currently, the U.S. Department of Commerce focuses on collecting information concerning "merchandise" exports. With the growing importance of services exports, tracking New Jersey's exports in this category is a much needed tool for measuring the impact of international agreements and developments on the State economy.

EXHIBIT 14

Search: Press [CTRL-Z], enter parameters. 501 projects are on file 1 of 501
 Press [F3] - Assignment Data, [F2] - Save, [F9] - Edit, [Alt-F7] - Reports

RAPID RESPONSE NETWORK

Referral #: 92026 Source: COMMERCE Date: 10/26/92
 Company: Contact:
 Address:
 City: State: Zip: Telephone:
 Business Type: CABLE MFG
 Problem: EXPANSION, INT IN WDP, REVIEW PANEL 3/10/93

ASSIGNMENT DATA

Agency: LABOR Contact: GEORGE LAPNOW Status:
 Telephone: 201-939-5972 Assigned: Due: Closed: 3/23/94
 Comments: 2 CT CONTRACT APPROVED FOR 54,453 & 14,896

Agency: LABOR Contact: YUNGINGER Status: PEND
 Telephone: 22074 Assigned: 10/26/92 Due: Closed:
 Comments: LL/2/92 MTG WITH CO & COMMERCE, WDP APP

Agency: Contact: Status:
 Telephone: Assigned: Due: Closed:
 Comments:

Search: Press [CTRL-Z], enter parameters. 501 projects are on file 1 of 501
 Press [F3] - Assignment Data, [F2] - Save, [F9] - Edit, [Alt-F7] - Reports

RAPID RESPONSE NETWORK

Referral #: 92029 Source: LABOR Date: 10/28/92
 Company: Contact:
 Address:
 City: LINDEN State: Zip: Telephone:
 Business Type: CLOTHING MFG
 Problem: NEED ESL

ASSIGNMENT DATA

Agency: LABOR Contact: J. ROBERT WHITE Status:
 Telephone: 609-292-2400 Assigned: Due: Closed:
 Comments: 4/21/94 MTG ABOUT CT REFER TO CT, OASIS, TA

Agency: LABOR Contact: SCHERBINA Status:
 Telephone: 609-984-3530 Assigned: 10/30/92 Due: Closed: 3/14/94
 Comments: ESL COURSE COMPLETED 3/14/94

Agency: Contact: Status:
 Telephone: Assigned: Due: Closed:
 Comments:

Search: Press [CTRL-Z], enter parameters. 501 projects are on file 1 of 501
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RAPID RESPONSE NETWORK

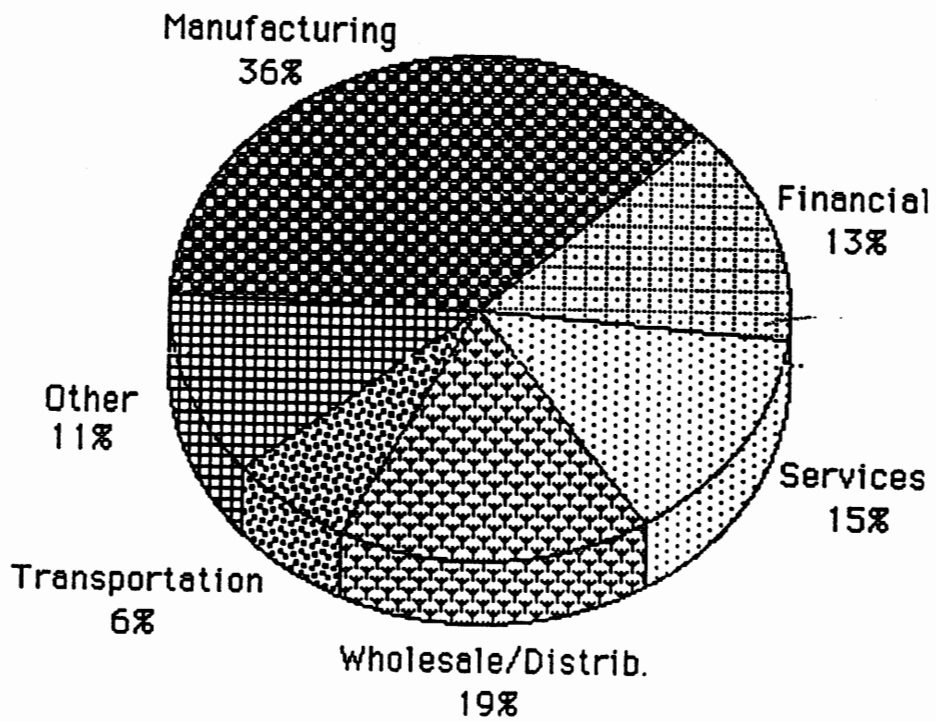
Referral #: 92037 Source: LABOR Date: 10/30/92
 Company: Contact:
 Address:
 City: State: NJ Zip: Telephone:
 Business Type: CABLE MFG
 Problem: INT IN WDP AND FINANCIAL ASSISTANCE FROM COMMERCE

ASSIGNMENT DATA

EXHIBIT 15

RELOCATING BUSINESSES REPRESENT
A DIVERSITY OF INDUSTRIES. . . .

1993



Source: Business Relocations to New Jersey 1993,
N.J. Department of Commerce & Economic Development

EXHIBIT 16
 "FIELD" SATELLITE OFFICES

Northcentral Region (Region I)

- approx. 31,000 businesses
- Essex County
- Passaic County

Northeastern Region (Region II)

- approx. 30,000 businesses
- Bergen County

Northwestern Region (Region III)

- approx. 22,000 businesses
- Morris County
- Hunterdon County
- Sussex County
- Warren County

Eastern Region (Region IV)

- approx. 26,000 businesses
- Hudson County
- Union County

Central Region (Region V)

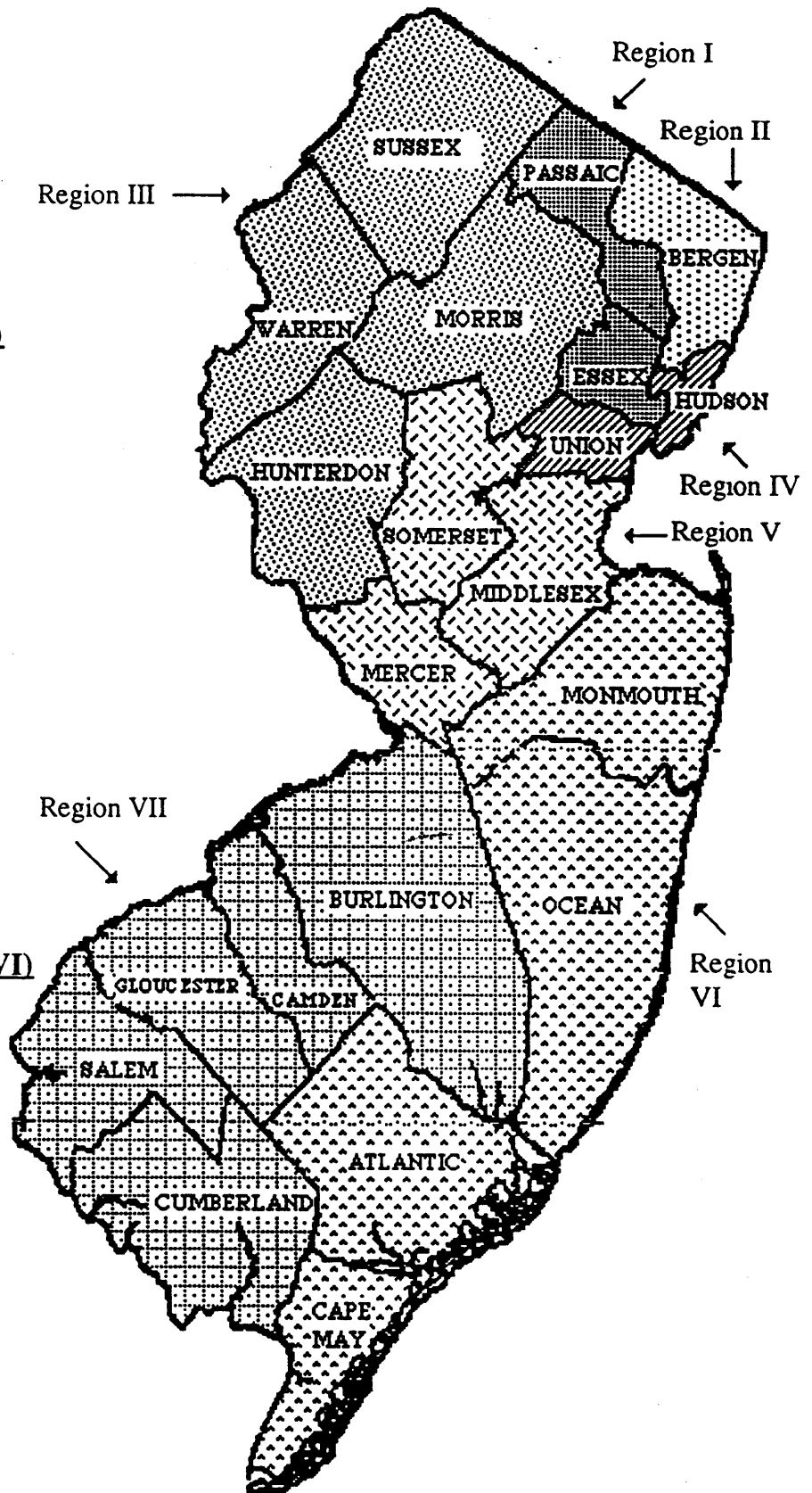
- approx. 32,000 businesses
- Mercer County
- Middlesex County
- Somerset County

Atlantic Coastal Region (Region VI)

- approx. 34,000 businesses
- Atlantic County
- Cape May County
- Monmouth County
- Ocean County

Southern Region (Region VII)

- approx. 30,000 businesses
- Burlington County
- Camden County
- Cumberland County
- Gloucester County
- Salem County

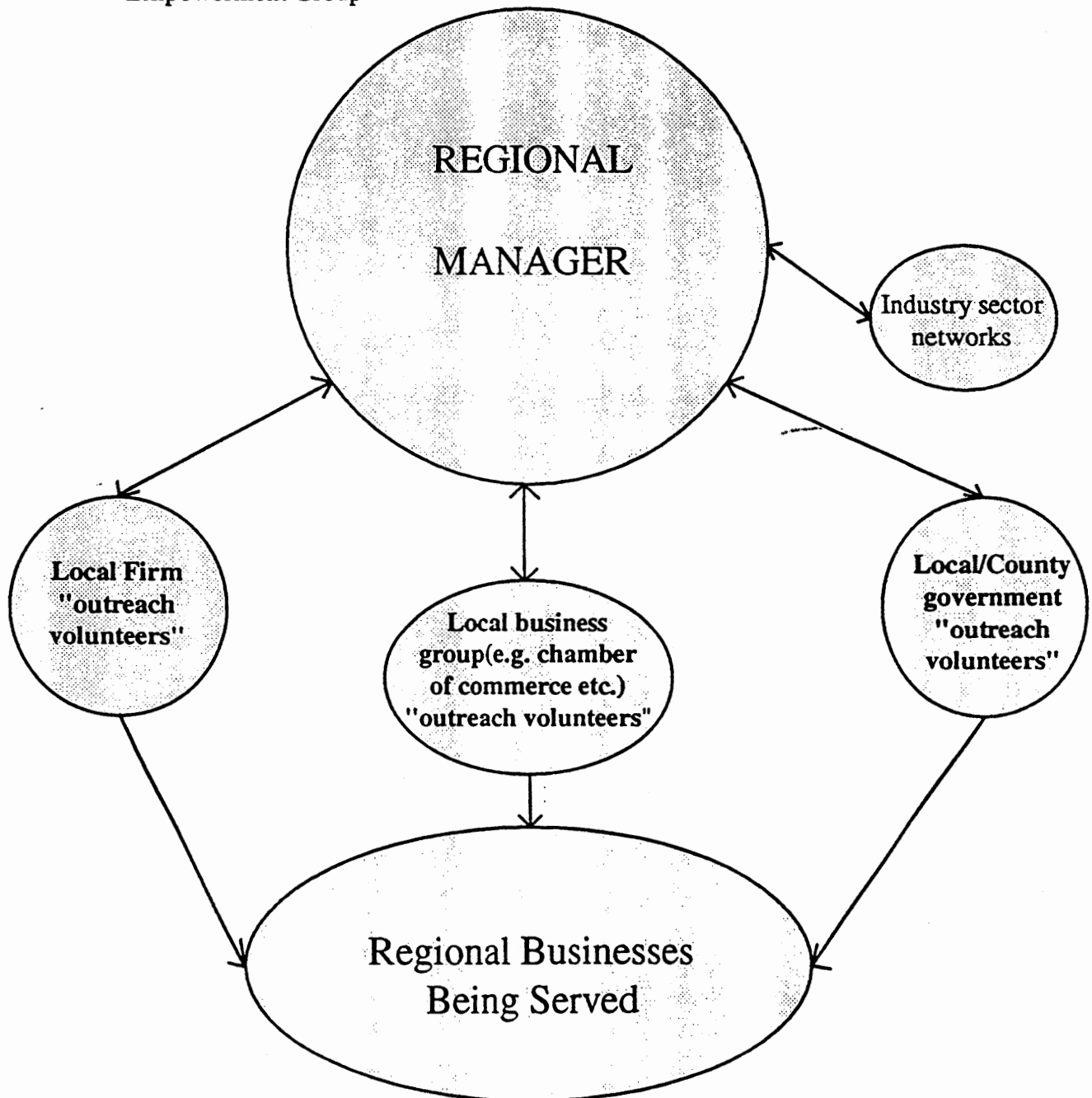


NOTE: The regional breakout is based on business distribution data as provided by the N.J. Department of Labor. Within this data the vast majority of businesses have fewer than ten employees.

EXHIBIT 17

"REGIONAL" FIELD PERSONNEL ROLE

- Recruit "outreach volunteers"
- Become a catalyst to form critical industry sector networks
- Develop plan-of-action to service businesses in region
- Computerize information on serviced businesses and send to "Empowerment Group"
- Provide one-step problem solving in response to business inquiries
- Help leverage fiscal and other resources to help retain and attract business and assist the "Empowerment Group"



**DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT
CURRENT ORGANIZATION STRUCTURE**

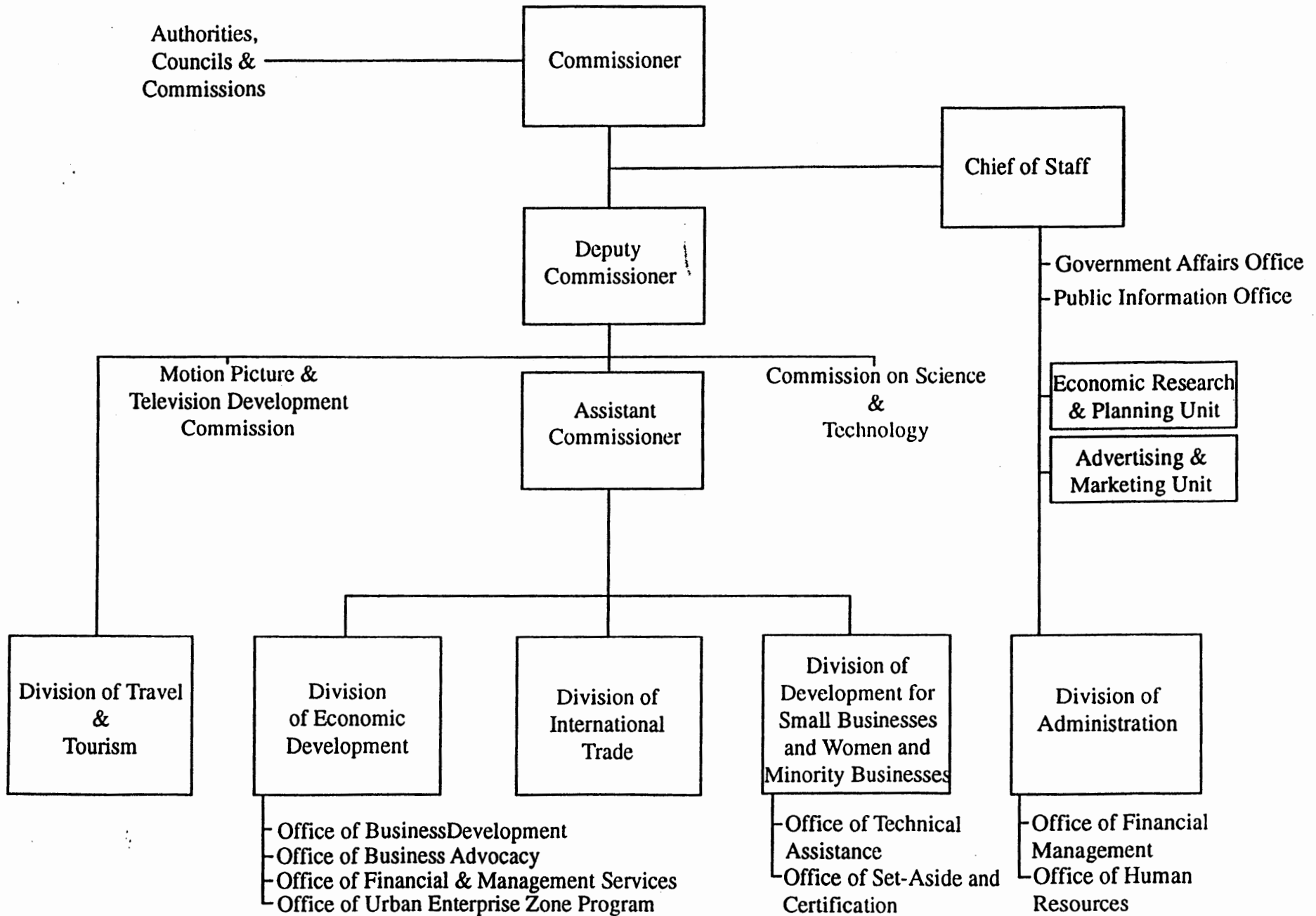
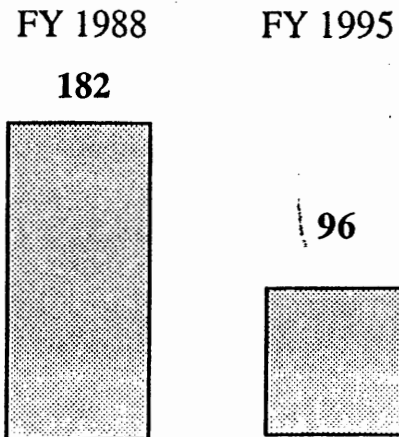


EXHIBIT 18

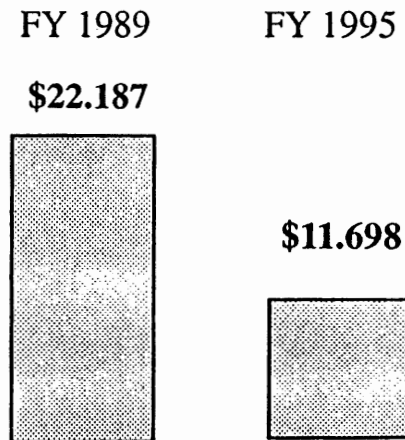
Department of Commerce and Economic Development

Total State Budgeted Positions



* does not include Commission on Science and Technology or Public Broadcasting Company

Total Direct State Services Budget Appropriations (\$1000's)



* does not include Commission on Science and Technology or Public Broadcasting Company

EXHIBIT 19

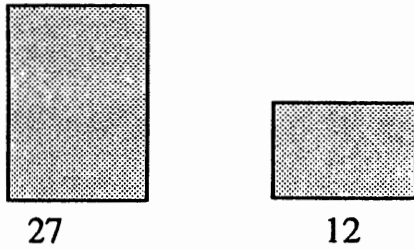
NOTE: ** Despite the decrease in staffing in FY 1989, an increase in the advertising and promotional budget accounted for the Department's highest budget level.

Source: Assembly Budget Staff, Fran Hahn

State Budgeted Positions

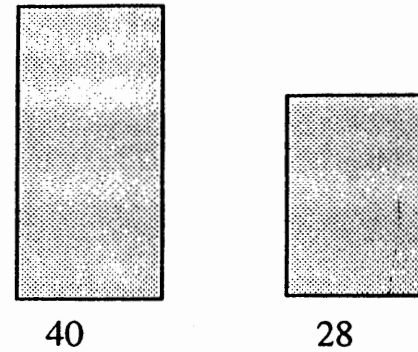
NJ Department of Commerce and Economic Development

Division of Trade
FY 1988 FY 1995



56% decrease

Division of Economic Development
FY 1988 FY 1995

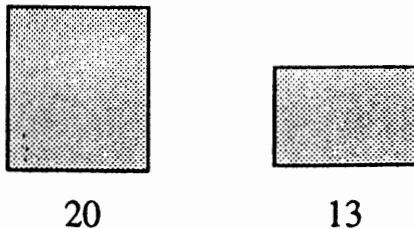


30% decrease

**Total:
86%**

Division of Travel and Tourism

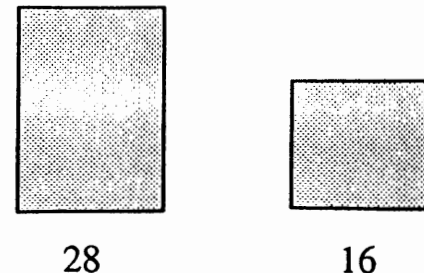
FY 1988 FY 1995



35% decrease

SWMB

FY 1988 FY 1995



43% decrease

**Total:
78%**

Source: Office of Legislative Services

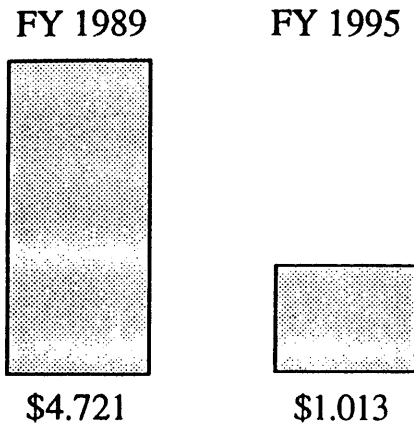
EXHIBIT 20

Department of Commerce and Economic Development

Direct State Services Budget

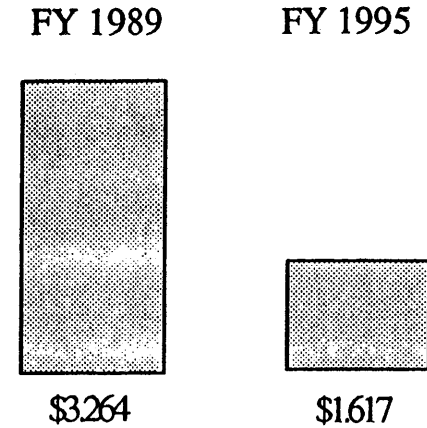
Appropriations (\$1000's)

Division of International Trade



79% decrease

Division of Economic Development

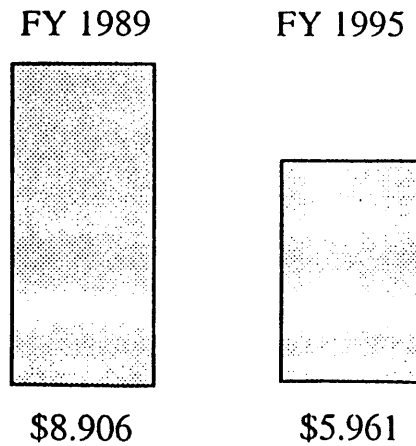


50% decrease

**Total:
129 %**

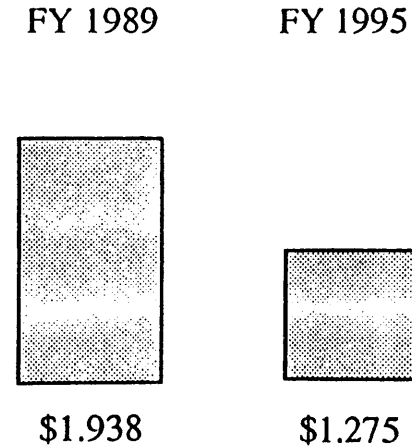
EXHIBIT 21

Division of Travel and Tourism



33% decrease

SWMB



34% decrease

**Total:
67 %**

Source: Assembly Budget Staff, Fran Hahn

EDEG Role

- Receives information from regional managers and other departments
- Centralizes all information gathering on businesses being serviced by the State
- Coordinates information access by all inter-departmental agencies involved with business issues
- Coordinates formulation of incentive packages for retention and new business attraction
- Coordinate marketing effort and message strategy to maximize public/ private State promotional efforts

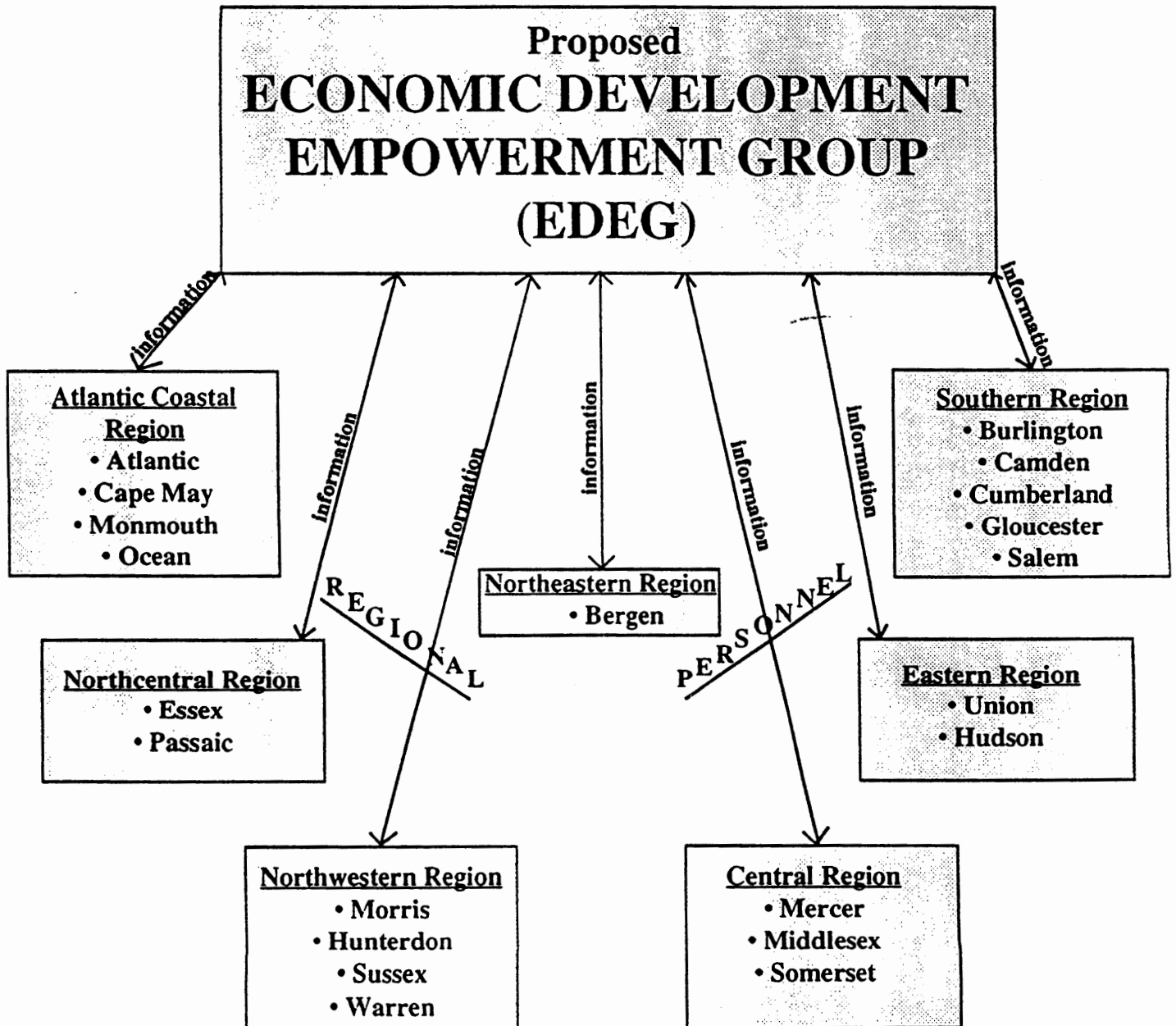
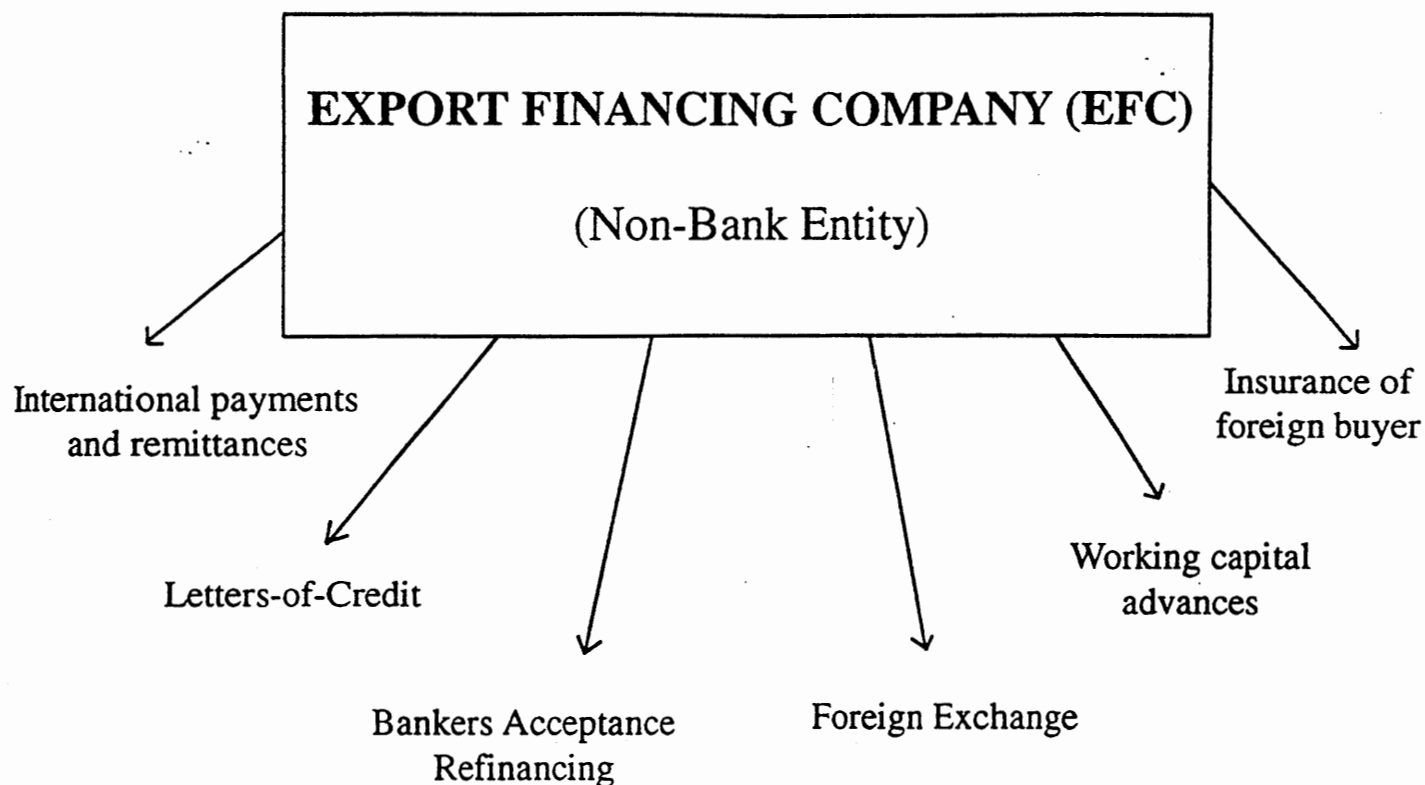


EXHIBIT 23

SBIC Totals by States—October 1993

| State | SBICs by Capital Resource Size | | | | Total | Total Private Cap | Leverage from SBA |
|---------------|--------------------------------|-----------|-----------|-----------|------------|------------------------|----------------------|
| | Size 1 | Size 2 | Size 3 | Size 4 | | | |
| Alabama | 0 | 0 | 1 | 1 | 2 | 20,916,700 | 11,500,000 |
| Alaska | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Arizona | 1 | 1 | 0 | 0 | 2 | 2,012,000 | 1,000,000 |
| Arkansas | 0 | 2 | 0 | 0 | 2 | 3,737,500 | 3,750,000 |
| California | 5 | 2 | 5 | 5 | 17 | 166,968,001 | 25,590,000 |
| Colorado | 1 | 0 | 0 | 0 | 1 | 2,000,000 | 0 |
| Connecticut | 3 | 2 | 2 | 1 | 8 | 21,396,307 | 23,785,000 |
| Delaware | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dist. of Col. | 0 | 1 | 1 | 1 | 3 | 23,708,334 | 30,850,000 |
| Florida | 1 | 2 | 1 | 0 | 4 | 6,476,506 | 11,210,000 |
| Georgia | 0 | 1 | 1 | 0 | 2 | 6,094,200 | 4,500,000 |
| Hawaii | 1 | 0 | 0 | 0 | 1 | 2,000,000 | 0 |
| Idaho | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Illinois | 1 | 0 | 0 | 4 | 5 | 244,608,022 | 12,600,000 |
| Indiana | 1 | 2 | 0 | 0 | 3 | 6,546,150 | 500,000 |
| Iowa | 0 | 0 | 0 | 1 | 1 | 5,520,000 | 10,290,000 |
| Kansas | 0 | 0 | 1 | 0 | 1 | 9,549,116 | 0 |
| Kentucky | 1 | 0 | 0 | 0 | 1 | 1,640,000 | 0 |
| Louisiana | 0 | 1 | 0 | 0 | 1 | 4,260,639 | 0 |
| Maine | 1 | 0 | 0 | 0 | 1 | 1,000,000 | 0 |
| Maryland | 0 | 1 | 0 | 1 | 2 | 8,450,000 | 16,000,000 |
| Mass. | 2 | 4 | 2 | 4 | 12 | 141,678,551 | 53,881,000 |
| Michigan | 1 | 1 | 0 | 0 | 2 | 3,875,000 | 0 |
| Minnesota | 1 | 0 | 0 | 4 | 5 | 166,002,922 | 5,300,000 |
| Mississippi | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Missouri | 2 | 2 | 1 | 0 | 5 | 13,162,000 | 710,000 |
| Montana | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Nebraska | 1 | 0 | 0 | 0 | 1 | 500,000 | 500,000 |
| Nevada | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| N. Hamp. | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| N. Jersey | 1 | 2 | 2 | 1 | 6 | 17,365,371 | 16,500,000 |
| N. Mexico | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| N. York | 4 | 9 | 5 | 17 | 35 | 775,010,397 | 147,294,000 |
| No. Car. | 0 | 3 | 1 | 0 | 4 | 16,531,269 | 2,000,000 |
| No. Dakota | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Ohio | 0 | 0 | 0 | 3 | 3 | 57,596,640 | 8,790,000 |
| Oklahoma | 0 | 0 | 1 | 0 | 1 | 3,480,502 | 2,560,000 |
| Oregon | 0 | 1 | 0 | 1 | 2 | 14,170,356 | 1,000,000 |
| Penn. | 1 | 2 | 2 | 2 | 7 | 60,568,672 | 3,000,000 |
| P. Rico | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Rhode Isl. | 1 | 2 | 3 | 1 | 7 | 34,879,461 | 17,250,000 |
| So. Car. | 1 | 2 | 0 | 0 | 3 | 3,984,774 | 3,020,000 |
| So. Dak. | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Tenn. | 0 | 0 | 0 | 1 | 1 | 10,440,362 | 31,000,000 |
| Texas | 3 | 5 | 5 | 5 | 18 | 148,874,141 | 77,980,000 |
| Utah | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Vermont | 1 | 1 | 0 | 0 | 2 | 4,342,391 | 0 |
| Virginia | 0 | 1 | 0 | 0 | 1 | 3,020,000 | 0 |
| Wash. | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| W. Virginia | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Wisconsin | 0 | 1 | 0 | 4 | 5 | 60,398,937 | 26,060,000 |
| Wyoming | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL | 35 | 51 | 34 | 57 | 177 | \$2,072,765,221 | \$548,420,000 |

EXHIBIT 24



- Private entity created with State seed money and matching private investments to ensure limited risk to the state;
- Staffed by technical and sophisticated professionals;
- Would provide export finance services to fill the gap for small and medium size companies that find it virtually impossible or very difficult to obtain services from local banks and larger commercial lending institutions;
- Would include pre-export and working capital loans;
- Lending criteria would be "transaction" (project) based, not asset based on which most commercial banks make their decisions.