

APPENDIX



Opening Statement
Senate Select Committee on Economic Growth Strategies
July 29, 2019

Chairman Smith, Vice-Chairman Pennachio, Members of the Senate Select Committee on Economic Growth Strategies, thank you for the opportunity to appear before this hearing. I am joined here today by our Senior Vice President of Portfolio Management and Compliance, Bruce Ciallella.

The New Jersey Economic Development Authority has an important role to play in building a stronger, fairer New Jersey economy. With Governor Murphy's comprehensive economic plan as our guide, and through the dedication and hard work of our staff, with the support of our Chair Kevin Quinn, we are committed to making New Jersey a national model for inclusive and sustainable economic development by building strong and dynamic communities, creating good jobs for New Jersey residents, and providing pathways to a stronger and fairer economy.

Since joining the EDA in February 2018, I am proud of the Authority's ongoing transformation from a transaction oriented "bank" to a comprehensive economic development agency that has advanced new programs and initiatives that include expanding our resources for small businesses, developing sector-based programs to make New Jersey more competitive in high-wage, high-growth industries, and encouraging transformational investment in our communities. Smart economic development requires more than incentives, and the EDA will continue to focus on broadening our toolkit to support the state's overall competitiveness.

A commitment to a more comprehensive approach to economic development also means changing how the Economic Development Authority operates. We are making overdue investments in the people, processes, and systems we need to ensure that whenever the taxpayers of New Jersey make an investment of public resources, we have all the information necessary to evaluate that investment and that the taxpayers get what they were promised.

The audit ordered by Gov. Murphy and the initial report from the Task Force on EDA's Tax Incentives have identified critical areas of needed improvement within the EDA. The report from the Task Force is eye-opening, and it only strengthens the already strong case for adopting Gov. Murphy's proposed new generation of economic development tools. This report, along with the report issued earlier this year by the Office of the State Comptroller, is a roadmap to significantly improving the administration of EDA's incentive programs.

We have no higher obligation as an organization than to be stewards of taxpayer resources, and we are committed to being best-in-class when it comes to accountability and transparency. I would like to take this opportunity to review for you some of the steps we have taken and will continue to take to achieve that goal. We are committed to fixing what needs fixing.

In 2018, EDA established a new Division of Portfolio Management and Compliance, whose responsibility is to develop and oversee internal process improvement initiatives. The Director of this Division, Bruce Ciallella - who is here with me today, reports directly to me as a member of the organizational leadership team, which was not the case previously. With the establishment of this Division comes a commitment by our organization to staff the Division appropriately to ensure that we have the capacity to apply the thorough and consistent monitoring that is required to properly administer these programs.

Through a recent data sharing partnership between the EDA and the New Jersey Department of Labor and Workforce Development, our staff now has access to additional information to enhance our ability to monitor the performance of incentive recipients.

We have also recently launched a new organizational-wide data and documentation platform, and we have expanded the scope of the independent auditor we retained to evaluate the submission of overall certifications from businesses that have certified completion of their respective projects.

We are also in the process of instituting comprehensive training for our staff in underwriting and project review best practices as well as fraud detection and prevention. We expect to contract soon with a third-party professional services firm to comprehensively identify legal and other relevant issues that the EDA

should be aware of prior to committing taxpayer resources. The mandatory CEO certification process will be amended to require an updated certification of all information subsequently submitted by an application during the review process prior to consideration by the EDA Board. And, finally, we will be strengthening our whistleblower reporting policies and procedures for both employees and members of the public to report any concerns about EDA projects.

For any applicant where information has been brought to our attention that casts doubt on the information certified/submitted in an application, the EDA has instituted a process to afford the applicant the opportunity to respond to the questions raised. The information provided through this process will allow EDA to make an informed decision, which may include recommendations to the Board for any potential actions, if warranted.

Any material action taken by the EDA would require the approval of the Authority's Board and, in the case of a suspension of an award under the debarment process, the approval of the Attorney General.

These improvements are critical in particular as we look forward to having new tools in our toolkit to strengthen New Jersey's long-term competitiveness.

Because for all of our advantages – an unparalleled location, an extraordinarily talented workforce, and a second-to-none quality of life, New Jersey has lost some of its competitive edge. Where we once dominated – in the Innovation Economy – we now lag. As a result, from 2007-2017, despite extraordinary investment in tax credits, New Jersey ranked 42nd in job creation and 49th in wage growth.

We believe it is time for a fresh approach to encouraging economic growth.

Strengthening New Jersey's economy starts with investing in the fundamentals of 21st century competitiveness – talent and infrastructure – the two issues Gov. Murphy and I hear about most often when talking with leaders of businesses small and large across the state.

That's why Gov. Murphy and the Legislature's commitment to investing in NJ Transit is so important, as are the priorities outlined by Gov. Murphy and

Secretary Zakiya Smith-Ellis' comprehensive plan for higher education – including expanding free community college. Labor Commissioner Robert Asaro-Angelo's efforts to strengthen New Jersey's apprenticeship programs are also vital to our economic future.

With shifts in technology, companies have more choices than ever when deciding where to locate – if they can't find the people and the infrastructure they need, there's no tax incentive valuable enough to bridge that fundamental strategic gap.

As Gov. Murphy has said, incentives have to be a tool in the toolkit of supporting economic growth. It would be imprudent to unilaterally disarm in the ongoing battle between states and cities for companies and talent. But for incentives to be effective, they must be a tool in service of a broader strategy.

The Governor's economic development plan – released more than nine months ago - includes more than 70 individual initiatives, but at its center is a proposal for the next generation of New Jersey's tax incentives to replace the programs which expired last month.

The Governor's proposed incentive programs represent a more targeted, comprehensive approach to growing our economy that would invest in people, communities, and innovation.

If talent is the most precious commodity in the 21st century economy, then we must continue to invest in making New Jersey a destination of choice for the world's top talent. Gov. Murphy has proposed a suite of place-based economic development incentives to encourage mixed-use, transit-oriented development, with a focus on reactivating historic properties and brownfields. We believe these tools can help revitalize communities without displacing people with deep local roots, while also providing good-paying union construction jobs. Governor Murphy's proposed economic development programs encourage local hiring, local purchasing, and partnering with the full spectrum of labor to ensure New Jersey residents benefit from a growing economy.

NJ Aspire and both the Brownfields and Historic Preservation Tax credits are designed to be competitive programs which ensure that incentive awards are

reserved for the best of the best as far as impactful projects that drive the sort of community investment that aligns with the goals of the program.

New Jersey also needs better tools to encourage the creation of good jobs in growing sectors. Today, New Jersey has one of the most generous and least-targeted job creation tax credit programs in the country. From 2010-2018, New Jersey invested five times more per job than our peer states did. The fiscally responsible thing to do is prioritize sectors that provide a path to the middle class (or better) where New Jersey has a competitive advantage or a chance to develop one, with even stronger incentives to encourage these industries to locate in cities where this investment can have the biggest impact.

The Governor's proposal also includes new tools to encourage development of port infrastructure to help position New Jersey as the capital of the American offshore wind industry, as well as support the expansion of research and commercialization-driven higher education institutions and the development of larger-scale transformative real estate development projects.

We also believe it is prudent to budget a fixed amount of tax credits every year – a program cap – so that the taxpayers can know what their maximum potential investment is. This is not a new concept - prior to the enactment of the Economic Opportunity Act, New Jersey's incentives programs were subject to program caps, as are several new incentives programs including the Film and Digital Media Tax Credit and the Neighborhood Revitalization Tax Credit. There is no shortage of worthy programs where we would all wish to invest more – public safety, education, parks, and beaches – but in a time of limited fiscal resources we should set a reasonable budget for economic development initiatives and allocate those resources to the highest-return investments.

NJ Forward is a jobs-based incentives program to succeed Grow NJ, focused on supporting new job creation in high-growth, high wage industries, as well as fostering growth in Opportunity Zone-eligible tracts. Bonus criteria would emphasize local employment, above average salaries, and transit-oriented development. Awards under NJ Forward would be capped at \$200 million annually and awards would be limited to five years, reduced from Grow's 10 year awards.

Among the most concerning economic trends New Jersey has experienced over the past decade has been the precipitous drop in venture capital investment in our state. Funding fuels innovation, and entrepreneurs in the innovation space will tell you that the availability of investment dollars is a key indicator as far as deciding where to develop their ideas today that could turn into the Fortune 500 businesses and economic drivers of tomorrow. From 2007 – 2017, New Jersey's ranking dropped from 5th to 15th nationally in total venture capital investment, during which time we were surpassed by several regional competitors we once led - including New York, Pennsylvania, and Maryland. We believe it is more important to support new homegrown New Jersey success stories than to attract large companies from other states – which in and of itself represents a significant mindset shift for New Jersey's economic development strategy.

In the most successful innovation ecosystems across the country, there is a very significant and purposeful series of partnerships and interactions among large companies, academic institutions, and startups. The Governor's proposed New Jersey Innovation Evergreen Fund would be a \$500 million fund – \$250 million of which would be raised through an auction of state tax credits over a five-year period to companies that commit to supporting the state's innovation ecosystem, the other \$250 million of which would be matched dollar for dollar by qualified private venture capital funds to co-invest exclusively in New Jersey startups in innovative industries. As companies are acquired or IPOs occur, proceeds would flow back to the Fund, meaning a time-limited investment of tax credits would create a self-sustaining source of capital for the Innovation Economy which, in the event of significant returns, could potentially return funding to the General Fund.

By itself, more venture capital can't reboot our start-up economy, but as part of the Governor's comprehensive strategy, the Evergreen Fund could be a game-changer.

In conclusion, it is clear we have significant work ahead of us not only to improve the EDA but also to help make New Jersey's economy more dynamic and vibrant, and both stronger and fairer. But under Governor Murphy's leadership and in partnership with the Legislature, I am confident that we will make meaningful progress on all of these goals.

Thank you for the opportunity to testify today, and I am happy to answer any

questions.

Total legacy direct and established credit	\$74,924,000
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Total for the Community Health Center Action	\$379,517
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All Capital Expenditures							John Marshall at United Annual Meetings	
Year	Period	Award Amount	Capital Improvement all revenue	Capital Credit Disbursements	Subsequent Credit Disbursements	New	Retained	
2011	1	\$14,432,000	\$14,432,000	\$14,432,000	\$14,432,000	-	\$12	
2012	1	\$11,312,445	\$11,312,445	\$11,312,445	\$11,312,445	-	75	
2013	1	\$11,312,445	\$11,312,445	\$11,312,445	\$11,312,445	-	158	
2014	1	\$11,312,445	\$11,312,445	\$11,312,445	\$11,312,445	-	158	
2015	1	\$11,312,445	\$11,312,445	\$11,312,445	\$11,312,445	-	158	
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As an additional condition of approval, if the business reduces the total number of full-time employees in the State by more than 25% from the last period prior to approval, then the business (except for credit for that last period and going forward) will pay down all its delinquent payments in the State by the next level.

Production No. 54,533,003 9/17/16

[illegible]

6666 The 2015 new plot for Principal Capital were lower than anticipated, resulting in a decreased reward.

தமிழகம்

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Journal of Interpersonal Violence 26(1) 10-24
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DOI: 10.1177/0886260510392811
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<http://online.sagepub.com>

Full-time employees: qualifying residential projects must make or acquire capital investments of at least \$10 million, but not be required to meet employment requirements.

Journal of Management Studies 35 (2002) 97–110. The official journal of the European Association of Management Studies (EAMS) is published by Blackwell Publishers Ltd.

with the knowledge and understanding of the various aspects of the business and the industry, and the ability to apply this knowledge and understanding to the business and the industry.

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MEMORANDUM

TO: Members of the **Senate Select Committee on Economic Growth Strategies**

FROM: Christina M. Renna, Senior Vice President, CCSNJ

DATE: July 29, 2019

The Chamber of Commerce Southern New Jersey (CCSNJ) is honored to have been invited to offer testimony on a topic that is of major economic importance to the South Jersey region and to our State; that is, the New Jersey Economic Development Authority's (NJEDA) Grow New Jersey Assistance Program and the Economic Redevelopment and Growth (ERG) Program. Thank you for the opportunity to weigh in on these programs that we believe have been *highly effective* in attracting and retaining businesses in our State, none more successfully than in Camden City.

In 2014, the Economic Opportunity Act was amended in a very important way – it focused on providing incentives, and therefore economic opportunity, in distressed South Jersey municipalities including Camden and Atlantic City. This change led to long overdue, much needed, and unprecedented economic growth in the South Jersey region. In recent weeks and months, questions have been raised over the effectiveness of the tax incentive programs and whether the “return on investment” is real, or whether it exists at all. As the voice of the South Jersey business community in Trenton, we can tell you the answer is unequivocally “yes.”

Incentives have done the job they were meant to in the City of Camden. Prior to the creation of Grow New Jersey and the ERG, only three projects in Southern New Jersey qualified for tax credits and no businesses in Camden received benefits. Camden was in desperate need of these incentives to serve as a spring board for jobs and growth, which is why the CCSNJ strongly supported the initial legislation.

According to NJEDA data the original Grow New Jersey program awarded \$525 million to companies in New Jersey - \$0 of which went to Camden City. Once the program was changed to include Camden, Camden saw \$1.49 billion awarded to businesses moving or retaining jobs in the City.

Noteworthy however, is that the \$1.49 billion in Grow New Jersey-related investment *still only represents approximately 30 percent of all the overall Grow incentives allocated in New Jersey over the entire history of the program* – the other 70 percent went to other parts of the state, most of which was not in Southern New Jersey. Since Governor Murphy took office, those percentages have generally stayed the same with approximately 29 percent of all incentive awards going to Camden; only 21 percent of which that have been given out to date.

Today, approximately thirty companies have located or plan to locate to Camden and are eligible to receive \$1.5 billion in tax credits over a ten-year period. These companies represent at least \$1.3 billion in capital investment in Camden and locating hundreds of jobs in the City. Further, the NJEDA has certified that these companies have already created or retained more permanent jobs per year than initially committed -- with 627 jobs being the minimum required and just under 2,000 jobs delivered.

In addition to the capital investment that has vastly improved the landscape of and brought more people and resources to the City, these corporations and businesses created an environment that provided needed certainty for other businesses to open or expand their operations in Camden. Some recent examples are:

- the groundbreaking of the first hotel to operate in Camden in more than 50 years – ***The Hilton Garden Inn*** – which will open in late 2020 and will create 75 new jobs in Camden;
- the opening of ***two restaurants on the Camden waterfront*** by famed Philadelphia chef Michael Schulson in fall of this year;
- the May opening of the ***Camden Arts Yard***, and bar and restaurant with Food Network Star Aaron McCargo as head chef, which is creating 55 new jobs; and
- the opening over Memorial Day weekend of ***Flying Fish Beer Garden at Adventure Aquarium***.

These businesses add to the attractions available to visitors and residents, as well as provide opportunities for employees of new businesses to stay in the City after hours.

Additionally, the companies that have relocated to Camden are generously supporting nonprofit organizations and Camden's schools, including: the Camden Schools Foundation, Center for Family Services, Habitat for Humanity, Hopeworks, Respond Inc., Girls Inc, Kipp Norcross and Whittier Schools, Cathedral Kitchen, Joseph's House, Covenant House, the Salvation Army KROC Center, UrbanPromise of Camden, Ronald McDonald House, LUCY Outreach, and Boys & Girls Club of Camden – nearly all of which are active members of the CCSNJ.

However, the incentives and the resulting economic growth are just part of the story – other challenges needed to be addressed *before* businesses and people would come to Camden. Strong partnerships, cooperation, and collaboration among all levels of government were needed to address the socio-economic issues that are important to businesses and residents, including building a strong K-12 education system, strengthening public safety and improving the physical and economic health of Camden residents. Over just a six-year period (2012 -2018), unprecedented change has taken place in Camden:

- the **crime rate dropped** by 59 percent;
- **K-12 graduation rates increased** by 40 percent, with a 69 percent graduation rate;
- **drop-out rates were reduced** by half, from 21 percent to 10 percent;
- **poverty rates fell** five points;
- \$55 million invested in **improvements to Camden parks**;
- **unemployment declined** from 17.8 percent to 9.7 percent (an astounding 45 percent reduction);
- and the **percentage of residents with no access to health insurance dropped** from 21.7 percent to 16.5 percent.

Camden's experience is a powerful example of how successful these tax incentives are for the City, its businesses, and residents.

The need for incentives in our State – which is among the most expensive places in which to do business – is undeniable. Programs like Pennsylvania's "Keystone Opportunity Zone", Delaware's low cost of living and favorable business tax climate make the fight to attract and retain businesses in our region even more difficult.

New Jersey's long-time reputation as an unfriendly and costly place to do business has only been exacerbated by the recent passage of a \$15 minimum wage, a paid sick leave mandate on employers, the expansion of New Jersey's Paid Family Leave Act, and a restrictive and confusing equal pay mandate. These mandates come on top of the fact that New Jersey has the highest property taxes in the nation, highest Corporation Business Tax in the nation, the second highest top marginal personal income tax rate in the nation and a slew of other taxes and fees that add greatly to the cost of doing business. ***Doing away with these programs - or imposing restrictive caps on the amount of tax incentives for which businesses can be eligible - will greatly hamper or remove the most effective tool in attracting and retaining business in our state.***

However, the CCSNJ encourages the Legislature to consider incentivizing businesses that utilize goods and services provided by businesses located in the city in which the incentive was awarded. To that end, we recommend State government provide funding to build a "marketplace" database of registered small and minority-owned businesses that include the goods or services they provide, as well as the goods and services being sought by businesses in the city. Such a "marketplace" would be used by businesses to identify potential vendors and for small businesses to see the goods and services companies in the city are seeking.

Further, we recommend including language in legislation that would provide applications for the New Jersey Department of Labor and Workforce Development (LWD) training grants that serve Camden residents be fast-tracked. Improving access to training will better-position local applicants for the jobs being created by companies locating there.

As the State considers the future of business incentive tools moving forward, the CCSNJ supports reasonable changes that result from a thorough assessment of the most recent programs (as opposed to a complete overhaul that includes caps on incentives) with an emphasis on consistent oversight, use of metrics, and a predictable process in the NJEDA when awarding incentives.


The CCSNJ appreciates the opportunity to share our thoughts with the Senate Select Committee on Economic Growth Strategies on these programs that are critical to continued economic growth in New Jersey and look forward to an ongoing dialogue with the Legislature and the Administration about these proposals.



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TO: Senate Select Committee on Economic Growth Strategies

FROM:  Anthony Russo, President
Commerce and Industry Association of New Jersey

DATE: July 29, 2019

SUBJECT: NJEDA - Tax Incentive Testimony (GrowNJ and ERG)

Good morning, Chairman Smith and members of the Committee.

My name is Anthony Russo, president of the Commerce and Industry Association of New Jersey (CIANJ). CIANJ is a statewide business advocacy group, with offices in Rochelle Park and Trenton, representing the interests of more than 900 members from virtually every business sector (manufacturing, hospitality, financial, insurance, academia, healthcare, etc.). CIANJ prides itself in being a leading advocate for a free market economy, because we firmly believe it is through a free market economy that New Jersey thrives in terms of innovation, competition and the creation of private sector jobs.

I know we are here today to discuss New Jersey's tax incentive programs and although they serve a critical role in strengthening and growing our economy, it should be stated that if New Jersey had a more equitable tax structure, the need for these incentives would be diminished. Our organization has always represented that the key to growing our economy is growing our tax base. We believe investment will go where it is welcomed and as we witnessed with Amazon in New York, new investment will not go where it meets resistance and/or uncertainty. Let us not be uncertain and resistant when it comes to business and investment, but rather, let us embrace new investment by reducing taxes and passing sensible laws and regulations. New Jersey should strive to attract entrepreneurs and investors who choose New Jersey as the place to bring their vision to life. When that happens, New Jersey will reap the benefits of new private sector jobs, new tax revenues and an improved quality of life.

In 2013, our organization supported the Economic Opportunity Act of 2013 (The Act), sponsored by former Senators Joe Kyrillos and Ray Lesniak, which created the GrowNJ and Economic Redevelopment Growth (ERG) grant programs. Their presence here today re-affirms their commitment to our State and sends a clear bi-partisan message of how critical these programs have been and are to our economy.

We all know New Jersey is plagued by its high cost-of-living and businesses struggle with it two-fold, as both residents of the State and as business owners. The Act has not only kept businesses from leaving New Jersey but it has helped create business as well. As we have watched large corporations leave our state for other lower cost areas, it is our other businesses and residents that are left to fill the void. We believe we do a disservice to our residents and employers when the rhetoric from Trenton is that these tax incentives are

New Jersey's business advocate for more than 90 years.

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“corporate welfare” or that they are going to the wealthy and big corporations. We must appreciate the fact that these are tax *credits* and not handouts. These companies are paying taxes, it’s just that the taxes are being “discounted” and in return for staying and growing their companies in New Jersey, the State will realize other benefits such as payroll taxes, property taxes, sales taxes and income taxes from the employees and owners who live and raise families in New Jersey. Additionally, when businesses choose to operate in New Jersey, local communities and charities benefit as well.

It is interesting to note that since this Legislature and the Governor took office in January 2018, the overwhelming number of bills enacted into law have not focused on growing our private sector economy. While the Governor and the Legislature should be lauded in promoting and passing legislation increasing the number of apprenticeship programs and tax credits for the digital media film industries, it has fallen short on assisting businesses in general. CIANJ believes economic and tax incentive programs should be fair, transparent and bad actors should not receive any credits. Furthermore, the programs should be simplified and expanded to include smaller businesses and all parts of New Jersey and not just certain industries or geographical locations. It is also important to note that economic incentives do not have to come only in the form of state taxes but can also include regulatory incentives, and/or expedited permits and approvals.

This Legislature and this Governor must pivot to supporting and assisting our businesses. Optics are important when one considers that we live in a mobile and global economy where servicing clients and customers can be accomplished remotely. New Jersey must do all it can to compel businesses to stay and grow their businesses here and not look elsewhere. While all the initiatives and laws which have been passed are important, there needs to be an appreciation that the costs to operate a business in New Jersey have increased as a result of those laws whether we are talking about an increase in the minimum wage, paid sick leave, or other laws. It is time to focus on passing laws which help businesses. One such example can be codifying the Red Tape Review Commission which proved to be successful time and time again on a bi-partisan level in recent years. Simply put, businesses need to feel welcomed, need predictability and certainty and must be reassured that if they invest in New Jersey, their investment will be protected and grow. This will in turn benefit all of New Jersey, including Trenton.

New Jersey’s priority must continue to be the rebuilding of our economy through policies that result in an economic climate in which private sector jobs are created. Private sector jobs fuel our economy, improve our quality of life and are responsible for a large percentage of state revenues.

There should be no doubt when we leave here today that the tax incentive programs should continue, be enhanced and be promoted to attract further investment in our State. Thank you for the opportunity to comment.

Senate Select Committee on Economic Growth Strategies

Testimony of AJ Sabath,

on behalf of Bill Mullen, President of the NJ Building and Construction Trades Council

Monday, July 29, 2019

Good morning Chairman Smith and distinguished members of the New Jersey Senate Select Committee on Economic Growth Strategies. My name is AJ Sabath and I am here this morning on behalf of Bill Mullen who is president of the New Jersey Building and Construction Trades Council.

Created in 1903, the New Jersey State Building and Construction Trades Council coordinates activity and provides resources to 15 affiliated trades unions in the construction industry. It represents 13 Local Building Trades County Councils, more than 100 local unions and over 150,000 rank and file members.

We help our 15 affiliated building trades unions to make job sites safer, deliver apprenticeship and journey-level training, organize new workers, support legislation that affects working families, and assist in securing improved wages, hours and working conditions through collective bargaining and project labor agreements. In New Jersey, our members perform a significant amount of public and private construction work.

To that end, we spend a lot of time working on public investment in our State's infrastructure, roads, bridges, and tunnels through the Transportation Trust Fund reauthorization. Our schools through advocating for multiple funding reauthorizations for the Schools Development Authority. As well as capital bond authorizations through voter referendums for State colleges and universities as well as local libraries and our technical schools.

And more recently we are becoming more focused on infrastructure funding and incentives for alternative forms of energy such as solar and wind. Many of our members will be called to work on the recently awarded offshore wind energy project proposed by Ørsted, to develop an 1,100 MW offshore wind farm 15 miles off of the coast of Atlantic City. One of the Garden State's next greatest infrastructure challenges is addressing the decaying and deferred maintenance over the States patchwork of public and private water infrastructure systems.

We also spend a considerable amount of time working with private development interests to promote and stimulate economic growth. The men and women of the building trades cannot survive solely on public investment or public works projects. In fact, our council has a long history of working with many private sector industries and institutions who demand well-trained and skilled construction trades and crafts personnel to complete complex projects ahead of schedule and under budget. These projects are solely privately financed. In many cases, we work side-by-side with private development interests in legislative and regulatory arenas to promote

opportunities through incentives, grants and other government tools to spur economic development.

New Jersey was slower than most other states to recover from the longest recession in US history, it was imperative that every effort be made to bolster private sector job growth and to take advantage of major economic development proposals and initiatives. The construction industry over the last 2 to 3 years has really started to turn the corner, but up until a few years ago the unemployment rate among our Building and Construction Trades Council members was well above the State and National average; with some trades experiencing an unemployment rate of 30 to 40%.

In times of significant economic downturn - and in general - the State of New Jersey has an important, powerful and necessary role to play in furthering economic development, standardization given numerous municipalities and innovation. It must provide key tools that assist our municipalities and counties to leverage opportunities for the benefit of local finances and residents.

Whether it is enactment of laws for entities like the Schools Development Authority, Economic Development Authority, Housing Mortgage Finance Agency, the Clean Energy Program, or NJ Environment Infrastructure Trust, or enactment of laws like Public Private Partnerships, the Transportation Trust Fund, Green Acres or Stormwater Utilities, the State must exercise leadership so overall economic development can prosper.

Incentives are one important tool and must be viewed in this broader context. As I previously indicated, we work with other private development interests in formal and informal ways. One formal manner is through the Smart Growth Economic Development Coalition. The coalition includes:

- International Council of Shopping Centers (ICSC)
- National Association for Industrial and Office Properties (NAIOP-NJ)
- NJ Apartment Association (NJAA)
- NJ Builders Association (NJBA)
- NJ Business & Industry Association (NJBIA)
- NJ State Chamber
- NJ Laborers Union (NJ LECET)
- Operating Engineers Local 825

Our Smart Growth Economic Development Coalition prepared a Summary of Key Facts related to NJ Economic Development Incentives a little over a year ago. You may recall the report, which provides a good summary of incentives and includes lots of good information. One detail I wanted to highlight is that of the 247 EDA projects approved, 43 have been completed and have created 1,509 construction jobs. The remaining 204 projects, if extended, has the potential for an additional 16,530 construction jobs.

I have provided you with the executive summary, but the full report was prepared in the wake of the State's tax incentive programs for businesses set to expire after June 30th of this year. While you may be familiar with this report, I did want to submit it for your review again. The report was based on publicly available data through December 31, 2017; which was the latest annual data available at the time the report was conducted..

As for other programs, I would like to underscore some of the new innovations such as the New Jersey Infrastructure Bank and the New Jersey Transportation Infrastructure Bank. The latter is an independent State Financing Authority responsible for providing and administering low interest rate loans for transportation quality infrastructure projects. And the former is an independent State Financing Authority responsible for providing and administering low interest rate loans to finance water quality infrastructure projects that enhance ground and surface water resources, ensure the safety of drinking water supplies, protect the public health and make possible responsible and sustainable economic development.

While not direct tax credits, the I-Bank "incentivizes" thru small grants and larger low-cost loans attacking aging infrastructure at the local level. This is akin to the work of the EDA and other state programs that provide loans to help local government by assisting in improvement of voluminous areas in need of redevelopment in our state.

If Bill Mullen was here, he would say "All We Do Is Build." And to that end, we are here to support any government program that provides greater opportunity for our union contractors to hire trade and craft men and women of the Building Trades to perform work on private development projects in New Jersey.

NJ Economic Development Incentives

Summary of Key Facts

Distributed by:

Smart Growth Economic Development Coalition

- International Council of Shopping Centers (ICSC)
- National Association for Industrial and Office Properties (NAIOP-NJ)
- NJ Apartment Association (NJAA)
- NJ Builders Association (NJBA)
- NJ Business & Industry Association (NJBIA)
- NJ Laborers Union (NJ LECET)
- NJ State Chamber
- Operating Engineers Local 825

May 2018

Based on publicly-available data through December 31, 2017 (latest annual data available)

NJ Economic Development Incentives: Key Facts

Media coverage of NJ incentives often refers to “\$8 billion” in tax incentives “awarded” since 2010, with the suggestion that the State has not gotten an adequate return on this investment.

The best way to evaluate this question is to look at the facts.

- To start, it is important to note that any reference to amounts of incentives “awarded” means:
 - *The total maximum amount of potential incentives that can be earned over a period of years, subject to performance.*
 - *Only if every project fulfills all of the capital investment and employment conditions approved by EDA based on current law.*
- In other words, all tax incentives are approved on a “conditional” basis – that is, no tax credits are actually received by anyone unless and until the proposed projects are completed, and the required investment and employment is delivered and certified at the time of completion, and for a term of 15 years.
- If the employment or investment fall short, the incentive amount is reduced proportionally or withheld altogether.
- In order to understand how to properly hold these projects accountable, the essential next step in this analysis is to unpack this \$8 billion number into the several different programs and their distinct objectives, as shown on the next slide.

Summary of all performance-based tax incentives programs	Program Objectives	Conditional Maximum Amount of Incentive (per EDA approval)	Private Capital Investment (per EDA approval)	Actual Tax Incentives Already Received
Urban Transit Hub (Commercial)	Capital investment in new facilities in designated urban transit hubs in Distressed Municipalities. Minimum job requirements where included in statute, but the priority of the law was to kindle new investment in state of the art facilities in transit hubs to assist NJ in competing for jobs.	\$ 751,551,372	\$ 1,314,889,298	\$187,414,214
Legacy Grow NJ	Primarily job creation and retention during a period of persistently high unemployment, focusing especially on Distressed Municipalities. Approvals required minimum capital investments and proof that projects would provide a positive return on investment. The original Grow NJ program was subsequently superseded by the Economic Opportunity Act (EOA) Grow NJ program in 2013 and subsequent amendments.	529,731,293	1,022,738,254	\$55,700,000
Current EOA Grow NJ		\$4,706,804,837	\$4,556,057,317	\$112,813,504
Commercial ERGG	To promote mixed use developments primarily in Distressed Municipalities by providing rebates of a portion of new incremental taxes actually generated by new projects, limited to projects requiring "gap closer" financing was needed to become financially feasible. ERGG is always revenue positive.	891,867,193	5,871,120,583	\$15,505,137
Other ERGG (Parking/PIP)	Specialized program designed to leverage public/private funding to enable public infrastructure, parking and other projects in Distressed Municipalities to be financially feasible.	56,000,000	181,939,559	- -
Urban Residential Tax Credit Programs (Res Transit Hub and ResERGG)	Increase urban housing supply by promoting large-scale new residential projects in urban transit hubs, subject to smart growth principles and a requirement to include at least 10% of "affordable" units. Projects had to prove tax credits were needed to enable projects to obtain private financing.	\$1,091,804,724	\$4,651,625,068	\$105,048,278
Total Received	Actual Incentives already received (based on project performance delivered through 12/31/17)	NA	NA	\$476,481,133
Total Incentives	Maximum conditional incentives initially approved by EDA	\$8,027,759,419	\$ 17,598,370,079	NA
Projects Withdrawn or Terminated by EDA	Projects terminated by EDA or withdrawn by applicants	(\$812,412,070)	(\$1,253,003,994)	NA
Outstanding/In Progress	Existing projects in good-standing, subject to continuing performance (primarily continued job maintenance)	\$ 7,215,347,349	\$ 16,345,366,085	NA

Fact: New Jersey has diverse economic development tools for evolving priorities, challenges and times.

EOA Grow New Jersey: Priorities & Results (through YE 2017)

The projects *conditionally* approved for tax credits reflect the State's needs and priorities, as illustrated below:

Of the 247 projects approved as of YE 2017, the vast majority were in NJ's Distressed Municipalities (including Camden)

- 71.3% of all approved projects are in Distressed Municipalities
- These represent 84.5% of all tax credits to be earned by projects approved by EDA through YE 2017.

Even when Camden-based projects are excluded, the emphasis of this program has been in the areas of greatest need.

Of the 218 non-Camden projects approved as of YE 2017, the vast majority were in in NJ's Distressed Municipalities (excluding Camden):

- 67.4% of all approved projects are in Distressed Municipalities
- 74.1 % of the total projected new jobs are in Distressed Municipalities
- 75.4 % of total amount of incentives to be earned upon project performance are in Distressed Municipalities

This program also has been transformative for Camden:

- Multiple projects (29) will generate nearly 5,700 jobs in the City, and \$733 million of Net Benefit
- Project such as the 76ers, Subaru, Holtec and American Water, are permanently changing the economic landscape, and creating the local financial capacity to finally begin to reverse decades of unlimited State subsidy.

Investments in Targeted Growth Industries

Industry sectors identified to create the best growth opportunities for New Jersey were targeted:

- Life Sciences
- Financial Services
- Technology
- Logistics
- Energy
- Transportation
- Health

The State has flexibility under current law to add or delete "targeted industry" sectors

Targeted Industry	Number of Projects	Award Amount	Jobs to be created or retained
Life Sciences	14	\$197,534,000	6,760
Financial Services	30	\$848,022,265	12,816
Technology	19	\$260,156,590	5,467
Logistics	8	\$51,249,120	1,354
Energy	2	\$22,849,780	558
Transportation	1	\$5,075,000	70
Health	9	\$175,572,230	3,711
Total	83	\$1,560,458,985	30,736

Manufacturing projects, across multiple industries, also were a priority:

- 86 of 247 project approvals (34.8%)
- Nearly \$1.1 billion in tax credits to be "earned" over time by fulfilling employment and investment targets
- More than 14,000 direct jobs to be created or retained

Fact: The program has focused on diverse growth industries and manufacturing sectors facing competitive challenges

Grow NJ Facts: Early results of investments, building over time

The Economic Opportunity Act Grow NJ, the youngest of these programs, began in 2013. All projects entail new construction or renovation, allowing 3-4 years for construction and ramp-up of jobs.

Since inception, a total of \$4.730 billion in tax credits were “conditionally” approved for 247 projects through YE 2017.

Of these, as of YE 2017 *only 43 of the proposed projects were completed* (and their jobs and investment documented), having “earned” the right to receive a total of \$870.9 million in credits over 10 year terms, subject to continuing annual compliance with ongoing employment commitments over 15 year terms.

- These 43 projects alone have been responsible for generating 12,705 full-time private sector jobs (creating 6,557 new jobs and retaining 6,148 jobs)

Certified & Completed Projects	Maximum Amount Conditionally Approved	Net Benefit*	Direct New Jobs	Direct Retained “at risk” Jobs	Estimated Construction Jobs
43 completed projects	\$870,861,944	\$2,321,504,426	6,557	6,148	1,509

*(Net Benefit to NJ direct + indirect economic benefits)

- The \$2.32 billion in Net Benefits to be generated for NJ represent a return on investment of \$3.30 for every \$1.00 of tax credits awarded – *a net benefit of \$2.30 in excess of every \$1.00 of incentives to be invested in projects over time.*
- If the required job levels are not maintained, the credits will be reduced or recaptured.
- These net benefits reflect both the direct payroll for New Jersey-based employees, as well as projected spending by companies on suppliers and other vendors, creating opportunities for New Jersey small and medium-sized businesses.

Fact: Even though only 17.4% of approved projects have been completed thus far, they are responsible for more than 12,700 direct jobs.

Early results of Grow NJ investments, building over time

Given that approved projects have up to 4 years (if extended) to complete new construction or renovations, and move-in the planned employees, **the program will continue to grow NJ-based employment.**

Specifically, a "pipeline" of 204 additional projects will generate significant investment and employment that is already committed, to be delivered and certified in 2018 through 2023.

Remaining Pipeline Projects	Maximum Amount Conditionally Approved	Net Benefit*	Direct New Jobs	Direct Retained Jobs	Estimated Construction Jobs
204 projects in progress	\$4,561,358,916	\$12,155,498,778	23,545	29,710	16,530

*(Net Benefit to NJ direct + indirect economic benefits)

- **The \$12.15 billion in Net Benefits to be generated for NJ represent a return on investment of \$3.66 for every \$1.00 of tax credits awarded – a net benefit \$2.66 in excess of every \$1.00 of incentives to be invested in projects over time.**
- Each project must document it has fulfilled its required investment and employment commitments upon completion before credits begin.
- And then must sustain that employment level for 15 years...each year projects must continue to demonstrate continuing compliance, or credits will be reduced or forfeited.

As such, while there is much work to do, claims that Grow NJ has not improved employment are premature, and the promise of future job growth is well-secured by future project commitments and accountability.

Fact: The pipeline of projects already in progress will create jobs and economic growth, both in the near-term and for years to come.

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Building on success, Grow NJ can and should evolve

With the economy recovering and the seeds of long-term investments in economic development and jobs having been planted, it is time to recalibrate and refine the Grow NJ incentives tool box:

- *Reduce overall tax credit amounts* for most projects and locations, except for the most continuing distressed areas that remain priorities, and for which concentrated efforts can still make the difference.
- Concentrate incentives primarily on **new jobs**, with new limits on tax credits for “retained” existing jobs at-risk of relocating from NJ or being eliminated.
- Further increase the State’s Return on Investment on incentives in terms of new employment, capital investment, and overall economic and fiscal benefits.
- Continue to strengthen program governance, increasing the documentation required as to the amount of incentives needed for NJ to be successful in competing to be successful in winning on a project-by-project basis.
- Further expand access to small business and rapidly growing technology companies.
- Focus future investments on high-growth sectors, leveraging large economic development impacts for New Jersey.

Opportunity: Although Grow NJ does not sunset till July 2019, the Governor and Legislature can act now to refine and retool Grow NJ to maximize investment and jobs.