

Economic Growth Transition Policy Group

PREPARED FOR GOVERNOR-ELECT JON S. CORZINE

Final Report

January 6, 2006

Report of the Economic Growth Transition Policy Group

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EXECUTIVE SUMMARY

The Economic Growth Transition Policy Group recommends that the Governor-Elect consider the following recommendations:

Establish the Governor's Office of Economic Growth. The Governor's Office of Economic Growth will provide an overall policy direction and will house the business research, advisory and coordinating functions related to economic development. The policies and strategies of this new Office will be supported and implemented through the EDA and a reconfigured NJ Commerce.

Create a strategic business plan for NJ that is focused on key sectors such as logistics, energy, tourism, high technology, financial services and is implemented by an enhanced and efficient delivery system.

Consolidate economic development funding and support programs. Transfer the programs, functions and powers of the Urban Enterprise Zone Authority, the New Jersey Redevelopment Authority, the New Jersey Development Authority for Small Businesses, Minorities' and Women's Enterprises, and the Capital City Redevelopment Corporation to the NJEDA. Transfer the functions of the Office of Business Services of NJ Commerce regarding SBE/WBE/MBE certification and monitoring to the Department of Treasury.

Transfer the state's tourism promotion activities to the Department of State. This will ensure that all of New Jersey's destination venues are promoted from within one office. Currently, the Department of State oversees programs including the Cultural Trust, the Arts Council and the Historical Commission.

Restructure Prosperity New Jersey and establish Team NJ and the Governor's Council on Economic Growth. Enhance public/private efforts to attract and retain businesses. Its efforts would be supported through donations from New Jersey's corporate citizenry who share the Administration's goal of growing jobs and business in our state.

Appoint a Governor's Foreign Trade Representative/International Trade and Protocol, to attract global investments to New Jersey and build international trade relationships, while linking state resources --including port access, business financing, and infrastructure investment -- to businesses operating here and abroad.

Create the Edison Innovation Alliance. A NJEDA wholly owned non-profit corporation that will focus specifically on growing New Jersey's Innovation Economy and developing a strategic investment plan for technology resources in the state.

Restructure the Commission on Commerce. General business marketing would become the main focus of NJ Commerce in order to support the strategic business plan set forth by the OEG Chief/Commerce Secretary. NJ Commerce would also remain the service center for businesses that require technical assistance, such as permitting and site selection activities.

Establish a Governors Council of Economic Growth. The Governor's Council on Economic Growth will include CEOs and Presidents from Businesses, Labor Unions, and Not-for-profit organizations who do business in New Jersey. Both large and small organizations will be included; the Council will advise the Governor and the Chief of the Office of Economic Growth on matters concerning the Business Communities in New Jersey.

Overview of Reorganization

To address the fragmentation of New Jersey's approach to economic development (*Chart A*), reorganization with a clear delineation of functions and programs must be implemented. To that end, the proposed strategy involves the creation of an Office of Economic Growth within the Office of the Governor, which will provide an overall policy direction and will house the business research, advisory and coordinating functions related to economic development. The policies and strategies of this new Office will be supported and implemented through the EDA, under which all economic development funding programs will be consolidated, and NJ Commerce, which will take the lead role in marketing the state's economic development assets.

The approach is customer-centric, with accountability and cost savings realized through streamlining of programs and functions, as well as the provision of a coordinated investment strategy aimed at leveraging state resources to the fullest extent possible.

Creation of the Office of Economic Growth

The new strategy involves the creation of an Office of Economic Growth within the Office of the Governor (*See Chart B*). The Office will be coordinated by a Chief, supported by six deputies, who will pull together state resources in order to create and implement a strategic business plan for the State of New Jersey, including the following areas:

- 1) Workforce Development, to advance the state's efforts to build a highly-skilled workforce, and work cooperatively with Statewide Employment Training Commission (SETC)
- 2) Research and Policy, to advance research on general economic trends, industry outlooks and economic development issues that face New Jersey, with the goal of creating a statewide economic development plan and policies to grow New Jersey's economy, including coordination of all infrastructure investments to maximize the potential of a successful economic development plan. Four industry analysts will focus on the areas of pharmaceuticals, technology, financial services, and logistics to ensure the state's support for these key sectors is deployed and leveraged effectively. A fifth analyst will focus on the evaluation of programs and investments. These analysts will also work cooperatively with the NJ Council of Economic Advisors and the proposed Edison Innovation Alliance.

- 3) Business Attraction and Retention, to advance the state's efforts to attract and retain jobs through the coordination of sub-cabinet body ("Team NJ") as well as direct relations with the business community on issues impacting state-wide, county and local economies, such as large-scale layoffs and facility relocations/shut-downs. Two business advisors will report to and support the efforts of the Deputy Chief.
- 4) A Director of Capital Investments will also report directly to the Chief of the Office of Economic Growth. The Director will coordinate, along with Governor's Counsels Office, the capital investments and activities of the state independent authorities. Those four areas include: Economic Development, Education/Health Care, Transportation and Ports. The Director will also work cooperatively with the Capital Budget Planning Commission.
- 5) A Governor's Foreign Trade Representative/International Trade and Protocol, to attract global investments to New Jersey and build international trade relationships, while linking state resources --including port access, business financing, and infrastructure investment -- to businesses operating here and abroad. Two advisors will report to the Deputy Chief, with a focus on protocol and global markets, respectively.
- 6) A Deputy Chief of Small Minority and Women Owned Business to review the state's procurement and certification practices and their availability to SWMBEs. The Deputy Chief will be responsible for identifying best practices used in other states with SWMBEs that have a greater share of the procurement process.

In order to best coordinate the state's business strategy, the Chief of the OEG will also serve as the Secretary of the newly configured Commerce Commission.

A streamlining of economic development programs and assistance

A realigned Commerce Commission

NJ Commerce currently administers a variety of programs and services, including 1) general business marketing, 2) technical assistance such as permitting and site selection assistance, 3) international trade promotion, 4) business and brownfields funding programs, 5) certification of small, minority and women-owned businesses, and 6) tourism marketing.

Under the new strategy, general business marketing would become the main focus of NJ Commerce in order to support the strategic business plan set forth by the OEG Chief/Commerce Secretary. NJ Commerce would also remain the

service center for businesses that require technical assistance, such as permitting and site selection activities. The International Trade function would also remain under the purview of NJ Commerce. Other programs and services of NJ Commerce would then be transferred to and coordinated with other state agencies as outlined below.

Consolidation of funding programs within EDA

Under the new strategy for economic development, all funding programs that support economic growth that are currently scattered throughout state government will be consolidated and streamlined within the EDA's existing structure for more efficient deployment. Therefore, via Memorandum of Understanding, the funding programs currently administered by NJ Commerce (BRRAG and Brownfields Reimbursement Program) will be administered by EDA. In addition, the resources of UEZ, NJRA, CCRC and NJDA will also be transferred to the EDA to be administered by that entity. *(See Chart C for services and programs to be provided through EDA and NJ Commerce)*

A refocused public/private partnership to market NJ

NJ Commerce's marketing efforts would also be supported by a refocused Prosperity NJ. Currently, the 501(c)(3) is focused on three main goals: leveraging New Jersey's dominance in the life science industry, setting up business-education partnerships with New Jersey high schools and large New Jersey companies through the organization's STEP-UP program, and overseeing the Governor's Project on Entrepreneurship.

Under the new strategy, the organization's main focus would be to oversee an Ambassador program, through which New Jersey's corporate experts from the private sector and institutions of higher learning can serve as peer mentors to the businesses seeking to grow or relocate in our state. The entity will coordinate this marketing effort with NJ Commerce, the Deputy Chief of Business Attraction and Retention, the "Team NJ" sub-cabinet group to leverage state and private resources to attract businesses to our state and the Governor's Council on Economic Growth that will be modeled as a CEO roundtable for business executives to raise issues and provide guidance to the Governor and Chief of the Office of Economic Growth.

Simplifying the steps to do business in New Jersey

It is proposed that the functions of the Office of Business Services of NJ Commerce regarding SBE/WBE/MBE certification and monitoring be transferred to the Department of Treasury. Currently, Treasury administers a variety of business registration and monitoring programs under the initiative titled "NJ Business Gateway Services." These services include business registration (including certificates of incorporation and registration, information on taxes and employer contributions, and application of S-Corp status); registration and

reservation of business name; commercial and legal filings (including annual reports, UCC statements, trade/service marks, collection agency bonds, legal name changes, and apostille and notary certifications), and the provision of other services such as tax filing (including online filing and payment), and permits and licenses. The Division of Purchase and Property, within the Department of the Treasury, also serves as the State's central procurement agency. The Division includes the Purchase Bureau, the Contract Compliance and Administration Unit ("CCAU"), Distribution & Support Services ("DSS") and the Bureau of Risk Management, through which businesses becomes eligible to do work with the state of New Jersey.

By transferring the SBE/WBE/MBE certification and monitoring function under the Department of Treasury, all of the business registration and certification functions of New Jersey will fall under the auspices of one department. This proposal is in line with the overall goal of streamlining services and cutting down on the steps that businesses must take in order to do business in our state.

Tourism Assets

It is proposed that the state's tourism promotion activities be transferred to the Department of State to ensure that all of New Jersey's destination venues are promoted from within one office. Currently, the Department of State oversees programs including the Cultural Trust, the Arts Council and the Historical Commission. Combining these functions will allow for a greater emphasis to be placed on a Heritage Tourism strategy that highlights the state's historic assets as a tourism destination.

In addition to New Jersey's beaches, sports venues, pinelands, highlands and rivers, it is important to include the museums, historical sites and cultural centers that receive assistance and advocacy through the Department of State in the marketing efforts of New Jersey. They too are assets that can be used to attract tourist dollars. Having one department serve to assist and promote these assets will result in a more effectively strategy to leverage marketing efforts.

GROWING NEW JERSEY'S INNOVATION ECONOMY

NEW JERSEY'S EDISON INNOVATION ALLIANCE

To date, the efforts to address the problems weighing down the New Jersey Innovation Economy have been limited by various organizational boundaries and mission scope. In order to revive and accelerate the growth of New Jersey's Innovation Economy, we as a State must confront and resolve some significant problems. This will require strong leadership, significant resources, a strategic vision, long-term investments, efficient execution and patient resolve. To adequately address the issues we face, we must attack these problems in a comprehensive fashion and provide the organization(s) responsible for resolving these issues with the necessary tools and authority to provide systemic solutions.

To implement Governor-elect Corzine's Edison Innovation Fund, the Edison Innovation Alliance (EIA) will be created as a NJEDA wholly owned non-profit corporation that will focus specifically on growing New Jersey's Innovation Economy, managing the Edison Innovation Fund and developing a strategic investment plan for technology resources in the state. The mission of the EIA would broadly include providing: match funding for university (and collaborative corporate) basic and applied research & development; technology commercialization funding; infrastructure development; training and technical assistance; and ongoing technology-led economic development policy support. The EIA would have a board of directors appointed by the Governor consisting of: business leaders, academicians, researchers, state officials, community leaders, and technology-led economic development policy makers. The EIA would be staffed by NJEDA personnel, and as a 501(c) (3) non-profit entity it would have the ability to solicit and accept private funding in addition to state appropriations and bond proceeds of the Edison Innovation Fund.

Currently, the NJEDA utilizes a combination of direct lending, guarantees, tax credits, incentive grants and investments in venture capital funds to support technology business growth in New Jersey. It is proposed that a \$300 million Edison Innovation Fund be established over a 5-year period capitalized through:

- \$50 million from NJEDA resources (\$10 million annually)
- \$100 million from State resources
- \$150 million from private investors

It is envisioned that the EIA would support the New Jersey Innovation Economy and deploy the resources of the Edison Innovation Fund in the following ways:

1. Basic and Applied Research & Development Support/Funding.

Match Funding for Research - This would include providing match funding for basic and applied research and development to State universities (and corporate sponsors collaborating with these universities).

Grant Support & Centralized Coordination - In this role the EIA could serve as a centralized clearinghouse for communicating grant opportunities, as well as encouraging (through match funding and membership/royalty sharing agreements) and managing the collaborations (public and private; corporations and universities) that are necessary to win large federally sponsored research grants.

2. Science & Technology Infrastructure Development.

The EIA, in partnership with the NJEDA, would provide the necessary science & technology infrastructure development required to effectively compete in today's global research & development marketplace. This would include the development of both **physical infrastructure** (centers of excellence, specialized laboratories, business incubators, prototyping/pilot manufacturing facilities, and other specialized facilities/equipment) and **intellectual infrastructure** (funding for university talent retention/attraction and workforce training support).

3. Commercialization.

Commercializing technology is a challenging and often expensive proposition. To facilitate the commercialization of technology by New Jersey universities and small technology-based businesses, the NJEDA has implemented a number of programs under the NJEDA's technology lifecycle management initiative entitled "Technium" (technology-continuum). These include the: NJ Angel Guarantee Program, Technium Direct Lending Initiative, Innovation Zone Initiative, Technology Business Certificate Tax Transfer Program, Business Employment Incentive Program, and NJEDA's venture capital investments.

The EIA would extend the Technium concept by providing commercialization funding at the pre-proof-of-concept stage and developing a more comprehensive NJ Venture Capital Fund-of-Funds Investment Strategy by deploying internal and Edison Innovation Fund resources to include: commercialization gap funding; seed funding for a university venture/commercialization fund; and a comprehensive (fund-of-funds) venture capital investment strategy.

4. Technology Competitiveness Policy.

Under this function the EIA would coordinate, support, and engage in policy analysis regarding NJ's competitive technology position as it relates to its peer states in U.S. and other competitive economies around the world. In collaboration with the research arm of the new Governor's Office of Economic Growth, this role would also track and analyze the effectiveness of current technology-led economic development policies in NJ; conduct outreach to the technology business community to understand its current needs and challenges; and study best practices models from around the world to ensure we maintain a competitive advantage. Some specific program examples could include: continued support of the State of New Jersey Technology Industry Report; analysis of the individual technology-led economic development initiatives currently underway (e.g. BEIP, Tax Transfer, Technium, Innovation Zones, etc.); the formation of a NJ Technology Leadership Forum; and specialized programming, content, and curriculum creation.

5. Community, Communication, & Culture.

The EIA would take a leadership role in supporting and communicating: opportunities to get involved with New Jersey's technology and entrepreneurial communities (e.g. networking events and trade groups); success stories and best practices in the areas of entrepreneurship and new venture development; innovative research taking place in New Jersey; and corporate success stories from established business in New Jersey. These efforts will serve as a catalyzing force for developing a more entrepreneurial culture in the State of New Jersey.

Conclusion

New Jersey has reached a defining moment in its history as a State, but we have been here before. In the late 19th century we successfully transitioned from an agricultural economy to a manufacturing economy and then again in the latter parts of the 20th century we successfully transitioned into an information-age economy. It is now time for us to complete that 20th century

transformation and make the investments in the State in order to position ourselves for competition and growth in the knowledge-based innovation economy of the 21st century.

Chart A
Fragmentation of Economic Development Functions

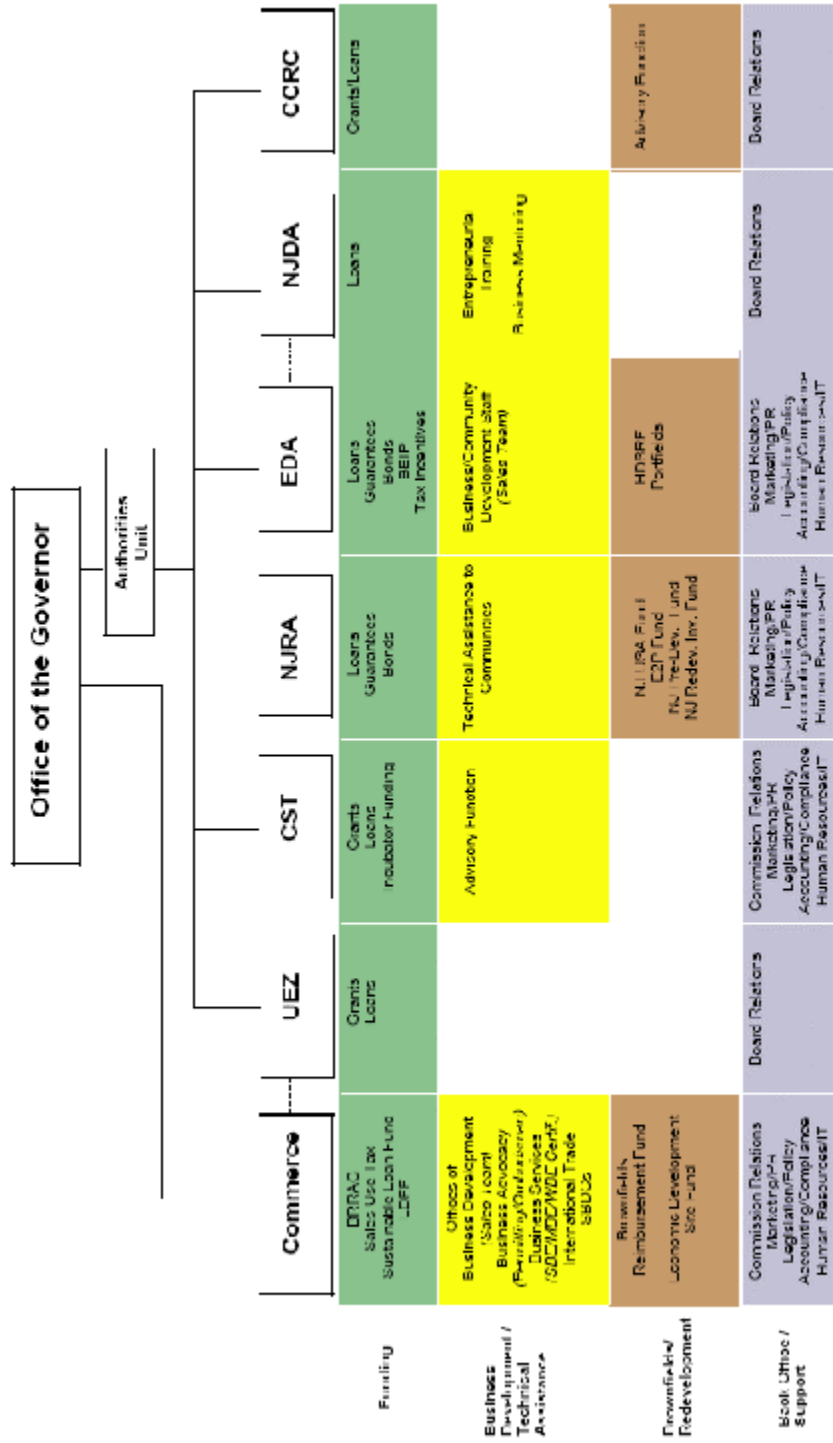


Chart B Governor's Office of Economic

Research, Policy Direction, Strategic Investments

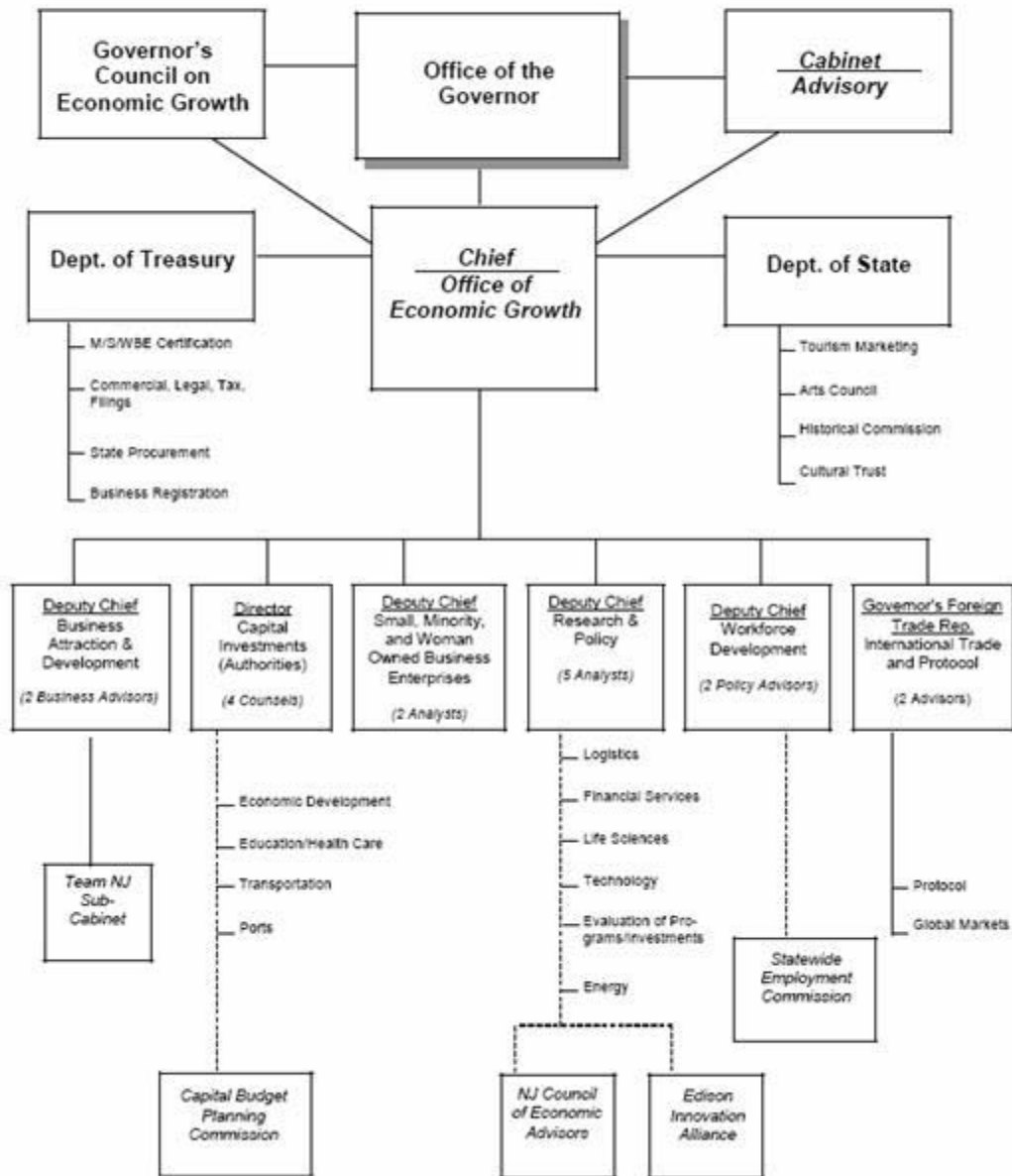
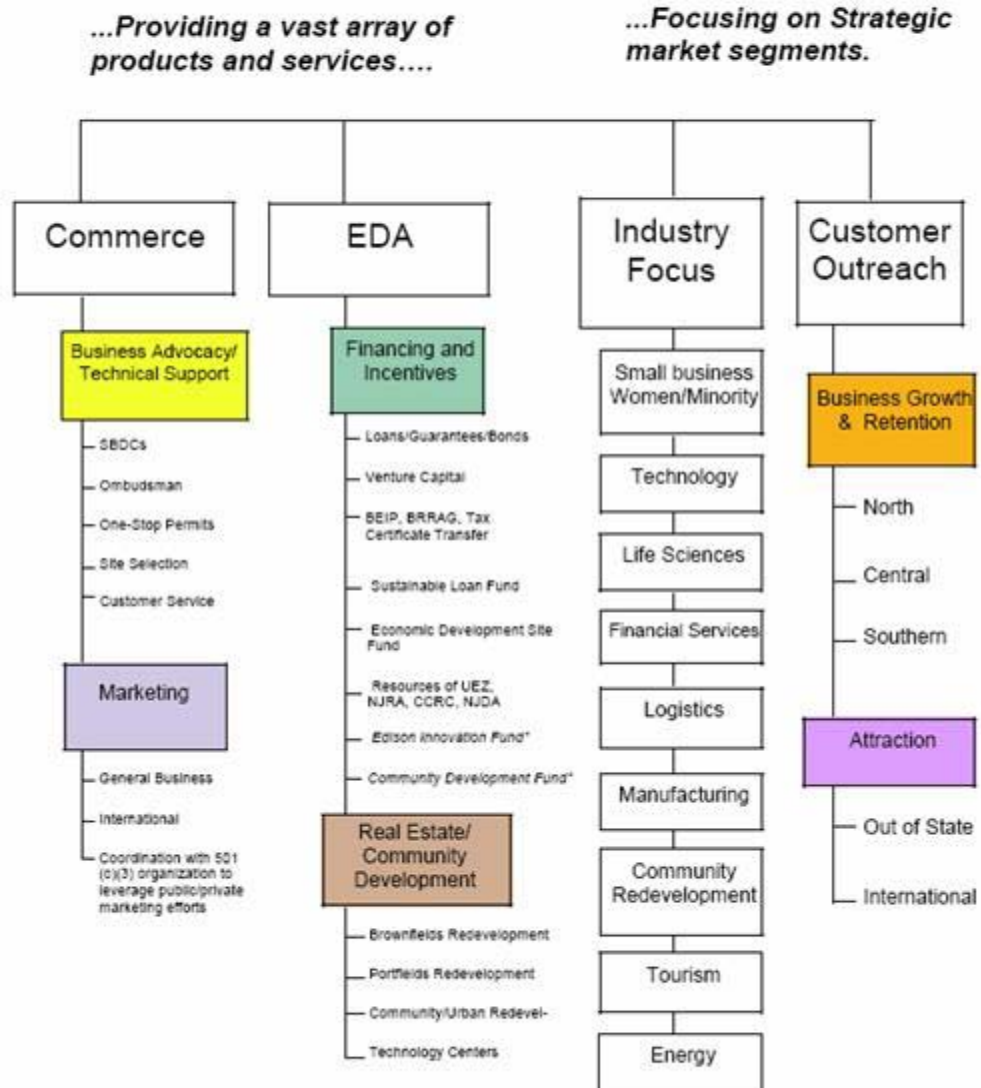


Chart C

The State deploys an aggressive sales force, geographically assigned...



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