



Governor Phil Murphy

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Newark, N.J.

A New Vision for Tax Incentives Governor Philip Murphy Remarks As Prepared For Delivery June 5, 2019

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Good afternoon!

Thank you for joining us here at 1776 at Cherry Hill Mall, where right here, and right now, the future of New Jersey's economy is taking shape.

Thank you, Jennifer Maher, for that introduction, for welcoming us here, and for your leadership at 1776. From your work in real estate, you know that the three things investors look for are "location, location, location." This space has all three, and then some.

The name "1776" recalls the time of our nation's founding and when we took our first, furtive steps and looked to a bright future. It celebrates a spirit of revolution and a willingness to take risks in the name of something larger than ourselves.

Likewise, the small and innovative startup businesses being founded and taking their first steps here are looking to a bright future and they are unafraid to take risks when the reward is great.

The fact that they are doing so in New Jersey cannot be overlooked.

We were at the center of that revolution nearly 250 years ago and we can be at the center of the revolution of innovation and inclusion that is the heart of the new economy.

These are the businesses that define our administration's work over the past year to refocus our state's economy to one based on innovation and our economic vision to one of grabbing hold of a broad array of tools to spur long-term growth.

Most of all, businesses like this are New Jersey at our best. Where big dreams can come true, where hard work is rewarded and where we grow our economy from the middle out and the bottom up.

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That's why my number one job as governor is to build a stronger, fairer New Jersey -- and that starts with a stronger, fairer economy that works for families across our state.

Part of that challenge is how do we grow businesses, how do we attract businesses and how do we encourage people to stake their future here?

I come to this place, a place brimming with hope and opportunity, to lay out a series of business incentive programs that are innovative and focus on innovation, programs that value communities and corporations, programs that encourage new entrepreneurs, people of color, women and veterans, and programs that watch out for taxpayers.

Yet, for many years New Jersey's economic incentive program didn't live up to those ideas. It wasn't strategic. It too often left communities and people behind.

To be clear, many good companies and many good people played by the rules and used the incentives program the right way. We value each of them and they should know that New Jersey is better because of their presence in our state.

So, I am not here today to debate whether we have a business incentive program. We should and we will. Rather, I am here to talk about what kind of business incentive program we must have.

This is a discussion I have been focused on long before I took office. Nearly three years ago, when I first announced my economic vision, I noted that the economic program under my predecessor consisted of nothing more than tax incentives.

Instead of a tool box of various and complementary programs, we had consistently pulled out only one blunt object.

When I proposed my first budget last year – on March 13, 2018 to be exact – I included a call for the Legislature to work together with our administration on crafting the next generation of corporate tax incentives 16 months before the expiration of our current program.

I unveiled my Economic Master Plan six-and-a-half months later, on October 1, including a sweeping new suite of strategic tax incentives created in consultation with economic experts, business leaders, and community leaders.

When our plan was announced – a full three months, I must add, before the State Comptroller even released the results of his audit – one long-time business leader in our state called that address “a turning point” and the “best economic speech” he had heard over his half-century of work.

Then, again, just three months ago, when I proposed my budget for the upcoming fiscal year, I returned to my call to the Legislature to work with us to move forward on enacting these new programs – programs that would provide \$400 million in annual incentives to create jobs, renew communities, and welcome new businesses to our state.

So, let's again clear the air about what this discussion is, and is not, about.

I will not unilaterally disarm our economic development while our competitor states are luring businesses, in part, through incentives. However, I will not simply renew a set of incentive programs when serious questions exist about whether they have been successful in spurring broad-based economic activity in our communities, or even if their most basic promises have been met.

Yes, business tax incentives must be a part of a smartly designed and strategically deployed economic program. But, the operative word in that sentence is, “part.”

Incentives cannot be our only tool – they must be one of a myriad of tools in our tool box. Maximizing our other assets – our location, our great people, our schools, our infrastructure – are also key components to economic growth, and we cannot invest in them if we give away all the resources we will need to make those investments in the first place.

The simple fact remains that while we were handing out incentives to the tune of roughly \$11 billion in total obligations, and at per-job award amounts multiple times that of our competitor states, those incentives were returning minimal overall economic benefits.

This fact is not up for debate. From 2010 through 2018, New Jersey paid five times more than our peer states for every job created or retained, yet attracted five times less capital investment per incentive dollar.

Neither are these facts. Under our current programs, New Jersey continued to lag at number 42 in job growth and number 49 in wage growth in the nation. Forty-second and forty-ninth – out of 50.

That's the place at which our administration entered. It's a place where I am determined we will not stay.

This is not about one city, one company, or one person. As I've said, the overwhelming number of incentive recipients are good businesses and good corporate citizens. They have followed the rules and followed-through on their promises. They have shown their commitment to our state and our people.

This is not about them.

What this is about is making sure we have policies in place that don't just allow some to do well, but which allow entire communities to do well. We must once again look at economic growth and success through the lens of the average New Jerseyan – those in the middle class, and, even more so, those working hard to get there.

And, from the many conversations I have had with business leaders up and down our state, they agree. Whether you're a major corporation or a fledgling start-up, businesses want a reliable, clear, and fair playing field.

These conversations led the Economic Development Authority, just four weeks ago, to hold its first-ever South Jersey "Founders and Funders" event, bringing together entrepreneurs with venture capital funders and angel investors, right here at 1776.

These conversations led to the EDA's new NJ Ignite rent-assistance program for the promising startups taking shape here, at 1776, and in incubator and co-working spaces elsewhere across the state.

They are also the conversations that led, directly, to the design of the new and strategic incentive programs we have put forward to build an innovation-fueled economy – an economy that increasingly relies on homegrown success stories as opposed to recruiting from other states.

Building this stronger, fairer economy starts with the NJ Forward inventive program to create jobs in targeted high-growth and high-wage industries, in creating and retaining jobs in our 169-statewide Opportunity Zones, and incentivizing smart steps like hiring locally, partnering with one of our research universities, or undertaking transit-oriented development.

Restoring our communities and restarting our urban engines of growth will be supported by NJ Aspire, which we see as a catalyst for neighborhood-based investments. Vacant and underutilized properties can be turned into job-creating development opportunities, whether it be a business headquarters or an incubator in our downtowns, new housing, or a cultural hub where people can come together.

Just as importantly, NJ Aspire will have clear criteria for evaluating projects, including a focus on workforce development and apprenticeship opportunities, so worksites can also be places where our future building-trades workforce will gain invaluable skills.

What's more, these programs can work in tandem with our planned new competitive Brownfields Redevelopment and Historic Preservation Tax Credits, which will breathe fresh life into contaminated sites and old buildings.

And, they will work with our proposed Innovation Evergreen Fund, which would pair the proceeds from the sale of future tax credits with private venture capital funds so we can make strategic joint investments directly in the promising startups we will need – startups that can find their home in the new spaces our other incentives will make possible.

After all, economic growth can't just be about helping a select few and the politically connected, but about offering a helping hand to the new ideas being brought to market right here, at 1776, and reigniting New Jersey's startup culture.

And, to those who question whether we can afford \$50 million a year in carefully vetted startup investments, I ask, in return, how that fares against billions of dollars in tax breaks whose impact is up for debate.

This suite of five programs is how we can provide the economic incentives we will need to direct real and sustainable growth to where it will do the most good – places like Camden, Bridgeton, Vineland, and Atlantic City, along with Newark, Paterson, Trenton, and every community where we can be helpful – all the while protecting our ability to make critical investments through the state budget in education and infrastructure, to name just two, in these same communities.

They will give businesses tremendous options to stack incentives in a smart way. This isn't about qualifying for one incentive or another. NJ Aspire, for example, will work best when it can be paired with either a Brownfields credit or a Historic Preservation credit. Or, perhaps, both.

And, NJ Forward will attract the fully scaled corporations that will mentor our startup community through the Innovation Evergreen Fund.

This is how we will create good jobs not just at the businesses who receive an award, but for the men and women of the building trades who will construct them, the doormen and janitors who will operate them, and the warehouse workers, and so many others, who are in the trenches every day, rebuilding our economy.

We will ensure recipients honor prevailing wage laws, and we will provide a bonus for those who sign project labor agreements and hire union labor.

We will also work so that the people in the communities in which these projects are built are given every opportunity to participate in the jobs the incentive programs nurture – people who all too often have been left out and left behind by the way the current incentive programs have been managed. And, we will have enforcement tools to make sure those – and all promises – are fulfilled.

This suite of programs is how we replace a broken system with a new one firmly rooted in the same entrepreneurial spirit that we see and feel here.

As I have said many times, I want the world's biggest and best technology, clean energy, advanced manufacturing, logistics, and life-sciences companies to come and expand here. I want New Jersey to be the home of as many great companies as possible.

But even more, I want New Jersey to be the place where those companies are born.

I am an unapologetic capitalist. But, the price we pay for the unlimited upside of the American Dream should not be in an unlimited downside for those who are struggling to realize their dreams.

Put another way, we must ensure fairness and equity for the communities which will host the businesses we will reward for making a commitment to New Jersey.

We cannot ignore that our current system of open-ended and out-sized corporate tax breaks has hurt our ability to invest more deeply in our communities and in the things that businesses look for when choosing a location – strong connections between education and the real economy, a well-educated and trained workforce, property tax relief, strong infrastructure underpinned by modern and safe mass transit, and vibrant, diverse, and walkable communities.

Being pro-growth and progressive are not either-or scenarios. We can be both.

We must be both.

When we look to incent businesses, we must look at more than just their ability to bring jobs into a community. We must also incent their ability to become part of that community. We need to make sure that communities are true partners in these projects, and then make sure these communities benefit along with the companies that benefit.

We need buildings with strong connections to the greater community. Where there is ground-level retail. Where opportunities for a small sandwich shop, a food truck, a diner, or a new restaurant to take seed on the streets outside exist.

This is how we rebuild communities.

Surely, the wants of 9-to-5 businesses matter, but creating thriving 24-7-365 communities is essential.

Building these communities requires some sort of incentives program – but it must be one that is predictable and sustainable, transparent and accountable, and smartly devised and strategically deployed.

Our proposed incentives meet this test. Our current program failed this test.

Instead of simply trumpeting the groundbreaking for a new office building, let's trumpet the groundbreaking of a building that contributes fully to community redevelopment and rebirth.

Instead of bemoaning the loss of venture capital investment in our state, let's take real and substantive steps to getting it back and using it to dominate the innovation economy and make New Jersey the startup state of the nation.

Instead of a system that benefits only a few actors, and at unsustainable rates that hurt our ability to invest in our core values, let's enact a new system that works for the broad array of businesses but even more for the broad array of our communities.

This is the discussion that I have been leading for the past 16 months. It's a discussion that we need to have now more than ever, so when I sign a new state budget, we can also enact the new incentive programs that will buttress the investments being made in that budget.

We must prove to the people of New Jersey than we can focus on more than one challenge at one time. We must prove to our business community that we won't hold them hostage to Trenton's political battles.

The re-envisioning of Cherry Hill Mall shows what can be done when we think creatively to restructure New Jersey's landscape. We need incentives that will allow this thinking to take hold across the state.

The businesses here at 1776 show us the future of our state's economy. They need a set of incentives as forward-looking and nimble as they are.

And, that's what we have put forward.

This is where our state's conversation must be. It's not about "do we" or "don't we," but about "how do we do it better?"

And, when we sit down together and speak not in breathless and accusatory tones but on respectful terms, I know we can get this done.

Thank you all for joining us here today.

Governor Phil Murphy

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