

STATE OF NEW JERSEY

GOVERNOR PHIL MURPHY

GOVERNOR MURPHY DELIVERS ECONOMIC ADDRESS: "THE STATE OF INNOVATION: BUILDING A STRONGER AND FAIRER NEW JERSEY"

Remarks as Prepared for Delivery

Governor Murphy Delivers Economic Address: "The State of Innovation: Building a Stronger and Fairer New Jersey"

October 1, 2018

Good afternoon, and thank you all for joining me here at On3, this tremendous new center for research and development, for innovation, for education, and health care.

What you see around us is a hint of what's to come.

I have to thank Zahra Amanpour for that introduction. Zahra embodies the words I am about to give, and the plan we are releasing. The future of our economy mirrors Zahra and all she is doing.

Before I begin, I would like to thank Choose New Jersey for hosting us today, and, along with the team at the Economic Development Authority, and my colleagues, for their hard work over the past weeks and months.

The radio telescope, semiconductors, radar and sonar, computers, transistors, cell phones, satellite communication, fiber optics, and solar power.

All advances that have impacted our modern world. They have allowed us to visit distant stars, connect with people around the world, or just make a phone call to a friend down the street.

And, they all have one thing in common – New Jersey.

Many of these advances were invented and perfected, or had their technological seeds planted, at one special place in particular – Bell Labs.

Bell Labs was an unrivaled center of innovation and technology, home to eight Nobel Prize laureates and three Turing Prize winners.

For half-a-century, our modern world was created in New Jersey. From Edison's Menlo Park to Bell Labs, and countless places in-between, innovation has been etched into our DNA, building New Jersey into the historic home of advancement – headed by diverse leaders and powered by an equally diverse workforce.

It's that DNA which made us synonymous with ground-breaking achievements, from the technological achievements at Bell Labs to the life-saving ones made in the pharmaceutical and life sciences industries, and at our research universities.

It's that DNA which took our built-in advantages – a long list headed by our people and our location – and created good jobs at all skill levels, grew our middle class, and spurred far-reaching economic growth.

New Jersey became an economic power – and today is home to 21 Fortune 500 companies, operations of 13 of the top 20 global pharmaceutical companies, and more than 400 biotechnology companies.

We were Silicon Valley before there was a Silicon Valley. We have been called the “medicine chest to the world.”

We may be our country’s fourth-smallest state, but we used our advantages to become its eighth-largest economy. If we were our own country, we would boast the world’s 22nd-largest economy, eclipsing Denmark, Ireland, and South Africa, among many other advanced nations.

But, over the last generation, New Jersey’s once seemingly endless perpetual progress has been slowed to a crawl by complacency and political gamesmanship.

That ever-forward leaning synergy and vision which was on such rich display at Bell Labs began to fade, as too many in positions of leadership took our position for granted, and as the companies which built New Jersey began to look elsewhere – and too many innovators began to overlook us entirely.

The old adage goes that a picture tells a thousand words. The graphic behind me can fill a book about how far we’ve fallen. I encourage you to take a look...

...42nd ... 47th ... 49th.

Where we once led, we now lag.

Where we once prided ourselves in a vibrant and growing middle class, we now have a gaping void too wide for countless working families to bridge to get into the middle class.

This is not New Jersey. Not by a long shot.

But, it didn’t have to be this way. Somewhere on our path to today we forgot the most basic elements of economic growth – leadership and vision. We thought in small ways, so, no surprise, we got small results.

We did not get here by accident.

We find ourselves nearly one-fifth of the way into the 21st century, yet we have been trying to jumpstart our economy with the very same tools that failed at the end of the 20th century. Because of this, we see a dearth of new and innovative companies to drive job growth.

We have underinvested in our people – in education and workforce development – and communities, and hindered our ability to attract and retain new talent while fully developing our homegrown workforce.

Today we say that New Jersey will once again be a visionary leader in our national and global economy. We have all the ingredients – and now we have the plan.

It was a plan created not in a dark corner but through hundreds of meetings with hundreds of people across our state who have a stake in our future success – business leaders ... labor leaders ... educators at all levels ... community and faith leaders ... state, county, and local officials ... our tremendous Cabinet team.

Two years ago, in the early days of my campaign for this office, I delivered an address at the New Jersey Institute of Technology, in Newark, putting forth my vision for a new New Jersey economy steeped in innovation, which grows from the middle class out, and which lifts families and communities from the bottom up.

I called for nothing less than a reimagining of what our state, our economy, and our workforce could look like.

I called for a strategy to create a new middle class, and a new commitment to put every resource at our disposal to get it done.

I noted that we have everything we need for our success right here.

We have our people – strong, talented, educated, and diverse.

We are home to one of the nation’s Top 2 school systems, as well as some of its top-ranked research colleges and universities, and a network of community colleges with strong roots.

We have our location – nestled between the world’s largest market in New York and one of the nation’s fastest-

growing in Philadelphia.

We are crisscrossed by one of the nation's leading highway networks, home to one of the country's busiest airports, and one of its largest ports.

All the pieces for success lay right here before us.

I said then, and I say it again today, when we get New Jersey's economy right, we get New Jersey right.

For the better part of the past year this administration has focused on how we make real our vision of a stronger and fairer New Jersey that works for every family, in every community.

We have done much to achieve this already – the nation's strongest equal pay law, the guarantee of earned sick leave for workers, a commitment to achieving a \$15 an hour minimum wage, protecting our immigrant families and neighbors, expanding opportunities for job-creating public-private partnerships, and nation-leading reforms to our health care system that are seeing insurance rates drop, among so many other steps.

In our first budget, we began the long process of reinvesting in our public schools and expanding pre-K, addressing college affordability, once again living up to our promises of property tax relief, and a commitment to turning around NJ TRANSIT.

All our efforts to date will begin to halt the backward slide of our middle class and those who aspire to join their ranks.

Already, in eight-and-a-half months, we have made great progress.

And, I thank our leaders in the Legislature for being our partners in this progress.

Now, we are ready to take the next big step.

We know that a stronger and fairer economy will be a more dynamic and inclusive economy – just as our past growth was fueled by the inclusion of women, people of color, and immigrants into our workforce as much as it was by innovation.

So, today, we make our boldest move yet to getting New Jersey right.

Today, we put forward that vision and that strategy, and empower and inspire a new style of leadership, to put all the pieces together.

Now is our opportunity, to prove to the skeptics, and those who have been satisfied with the status quo, that social progress and economic progress can be made together, and that they must be made together.

That we must both do good and do well.

The stock market, quarterly reports, and the overall unemployment rate give us a glimpse into how well companies are doing. But we will use our efforts to ensure that our people are doing just as well.

Our goals are fivefold.

One, to create an economy that, by 2025, will lead our peer northeastern states in job growth with a supportive and inclusive business climate. In real numbers, this means an all-out effort to create 300,000 new jobs

Two, leading our peers in median wage growth by focusing on high-growth, high-wage sectors – this means another all-out effort to make sure our existing and new jobs pay well – and deliver an on-average \$1,500 increase in median wages.

Three, building the nation's most diverse and inclusive innovation-driven economy – with tens of thousands of new jobs in the innovation economy for women and minorities.

In doing so, we will also double venture capital investment into our state – an influx of more than \$600 million annually – by aggressively promoting our values-driven economic ecosystem.

Four, closing the gender and racial employment and wage gaps – currently among the widest in the country – by both creating good jobs for more women and minorities, and increasing their annual wages by at least \$15,000.

Five, meaningfully reducing our urban poverty rate – through strategic investments, expanded workforce development programs, community partnerships, and focused business incentives.

Achieving these goals will not be easy, but they are achievable.

To succeed, we must return to the core values of our state, and re-embrace our historic role as the world's leader in innovation.

This return to our values begins with – once again – investing in our great people.

We have one of the nation's most highly educated workforces, with 39 percent of residents holding college degrees. We have the nation's fourth-highest percentage of millennials with college degrees. We have the world's highest concentration of scientists and engineers per square mile. Everything needed to dominate the innovation economy is directly under our nose.

And, we are also investing in apprenticeship and job-training programs to ensure we have the workforce employers need, especially for the "middle-skill" positions that will be the majority of the jobs to be created.

I am as sick and tired of our young people being among our greatest exports as I am seeing our skilled workforce underemployed, or residents with special needs or facing economic challenges marginalized.

Through a comprehensive suite of talent-retention and workforce development and support programs, which we will call NJ Talent, we will reverse these trends.

Next, we will invest in our neighborhoods, through a comprehensive program we will call NJ Communities.

As a whole, we are among the nation's wealthiest states. But as you zoom in, it becomes clear that not every community shares in this wealth.

We know that the areas with the most persistent pockets of poverty are also our historic economic engines – our cities. Our cities had been forgotten by years of leadership which counted them out, and they were forced to watch on the sidelines as investment went elsewhere.

They still have everything needed to once again lead our economy.

To make this happen, we will initiate comprehensive efforts to reestablish our cities and other underserved communities as places where businesses can locate and flourish.

For instance, we were one of the first states to designate our Opportunity Zones – 169 census tracts across all 21 counties, urban and rural, where significant numbers of residents live in poverty, and where new private capital investments can have an outsized impact on job creation and quality of life – and we will also be the best in marketing them.

The Department of Community Affairs, under Lieutenant Governor Sheila Oliver, is developing a "One-Stop Shop" to help guide our Opportunity Zone municipalities. The New Jersey Redevelopment Authority is identifying "Ready to Go" investment projects.

This is one way in which we will work with our communities to reestablish the state as a true partner for future success.

Opportunity Zones were an idea fostered by Senator Cory Booker, and I thank him now for his leadership.

We will reimagine our Brownfields program with a new remediation and development tax credit and a dedicated NJEDA loan fund.

Sites that were part of a past generation's progress will be cleaned up so they can be put back to work for the next, whether as the site of a new business, a new school or affordable housing, or a park that enhances both

quality of life and nearby property values.

The NJ Aspire tax credit will be another catalyst for investments in commercial, residential, and mixed-use development in our cities and downtowns, and in suburban neighborhoods served by mass transit.

NJ Aspire will facilitate the conversion of surface parking lots, vacant and abandoned lots, and other underutilized properties into job-creating and tax-generating development opportunities.

It will help to bring market-rate housing to distressed urban areas while also ensuring mixed-income and affordable housing in our suburbs. And, to build communities – and not just places to live – we will put an additional focus on tourism, arts, and culture-related projects.

And, in doing so, we'll create new jobs for our brothers and sisters in the building trades, who we will lean on to, literally, rebuild New Jersey.

We will also introduce a state historic preservation tax credit program to complement the federal credits currently being invested here to ensure that while we grow, we do so in a smart way that properly knits together our past with our future.

I look at Trenton, in particular, where the streets are lined with a strong building stock, from graceful brownstones to historic office buildings and storefronts, and can see the potential.

Across the nation, in fiscal year 2016, federal historic preservation tax credits fueled the rehabilitation and re-envisioning of more than 1,000 historic buildings, generating over 100,000 jobs nationally and nearly \$2 billion in new revenues – a \$500 million return on investment.

Our state is rich with history, and we're not going to knock it down, but rather use it to move forward.

We are already benefiting from our enacted restoration of the film and television tax credit to again put the spotlight on our communities.

And, we will invest in our infrastructure, to give us the safe and modern networks we need to allow ideas to get to market, and people to get to work.

NJ TRANSIT, in particular, is critical to our efforts, and, let me be clear, we will fix it to make it a true vehicle for our success. We have put in place new management, with a new mindset. We have begun the path back to proper funding, with a near-tripling of state operating support. And, we are focused on making long-overdue improvements to safety and performance.

We will invest in roads and bridges, maximize our partnerships to unlock the full potential of Newark-Liberty International Airport, and continue the bipartisan effort to fund and, at long last, build the Gateway tunnel.

These infrastructure projects are about our future, yes. But they also will create good, union jobs today.

But, as essential as they are, these efforts will be undermined if we continue down the path that has seen us without a true economic development aim.

That way of doing business – of unfocused tax breaks and the inefficient deployment of our development tools – has cost us more than 500,000 jobs and \$6 billion in state tax revenues.

Our future requires us to be smart and focused. We need to have a clear vision.

And, this gets us to the next pillar of our new economy.

We will put our focus on the high-wage and high-growth innovation sectors that have the potential to bring the greatest investment and most jobs into our state – clean energy, life sciences, advanced manufacturing, food and beverage, advanced transportation and logistics, information and high-tech, film and digital media, and finance and insurance.

We will make New Jersey a true State of Innovation, and no community will be left behind.

A national model for building an inclusive innovation ecosystem.

We will lead the nation with an especially creative way to fund home-grown, New Jersey-based companies, as they will create the most jobs for our residents.

But, we will also work to bring the best from around the country and the world to New Jersey – and I am anxious to get started on that in just two weeks, when I make my first economic mission to Germany and Israel.

Now, we didn't just pluck these economic sectors out of thin air. We are not seeking to compete in sectors in which we have to start at zero.

These are sectors in which our state has strong and deep, yet under-watered, roots. These are sectors in which our past prosperity was based, and which will be the basis for our future success. They are sectors in which we will once again fully exploit our built-in advantages.

And, if we do the items on our "to do" list, they will be the sectors whose growth will benefit our entire economy, and provide even more opportunities for families to find their place.

They are the sectors with wages that can make our economy fairer, and with the reach and growth potential to make it stronger. They are the sectors which tie together all of our efforts to date.

Now that we have the building blocks for a thriving innovation economy – top-tier talent, vibrant communities, and high-wage, high-growth sectors – we will need to create the ecosystems and attract the capital that fast-growing businesses will need.

We will bring these initiatives together as NJ Innovate.

As late as 2007, we had this going for us. We ranked 5th in the nation in terms of the total amount of venture capital flowing into New Jersey-based firms, more than \$1.3 billion.

But, over the past decade, we saw that river of capital evaporate into a trickle. In just ten years, we fell to 15th – lagging among our peers – and the amount of capital coming to innovative New Jersey firms has been cut in half.

Meanwhile, just across the Hudson, New York has seen an influx of venture capital at an annual growth rate of more than 25 percent.

It's time for us to get back to where we belong, and to bring these dollars back here.

It's not that we lost our entrepreneurial spirit – we simply lost our way in helping entrepreneurs get from the drawing board to the market. We need to change our mindset, and move away from viewing tax credits as a strategy unto themselves, but as just one tool within a broad and cutting-edge strategy for economic growth.

We took a strong first step in our budget by modernizing the state's R&D Tax Credit for the first time since it was instituted in 1992. But there's more to do.

To start, we will create a \$500 million Innovation Evergreen Fund to supercharge the return of venture capital into our state, pairing the proceeds from competitive auctions of new state tax credits with private venture capital funds to make joint investments in a diverse array of New Jersey-based startups.

The New York metropolitan area realized \$33 billion in venture capital investment across more than 4,000 deals over the past five years – but fewer and fewer of those dollars came into New Jersey.

The Innovation Evergreen Fund will help bring them back.

Here's how it'll work: Corporations will bid on new EDA tax credits. The winning bidders will be the ones who offer both the best price and best commitment to help entrepreneurs through mentorship, networking, and other resources.

The Innovation Evergreen Fund will then invest the auction proceeds, alongside funds from venture capital firms, into promising start-ups with the potential to scale up and create jobs.

State-level venture capital funds have thrived elsewhere, but with our talent and location, the Innovation Evergreen Fund can help us become the model for the country. Our fund will be the first to enlist some of the very corporations who participate as real partners in the innovation ecosystem.

We will also create a new model of partnering with private sector venture capitalists to co-invest.

Some investments will be home runs. Others, solid singles. There may even be a foul ball or two – that's the nature of startups. But, we'll reinvest the returns back into more startups, and if we have enough home runs, we'll invest excess returns directly back into the state.

The Innovation Evergreen Fund will be a powerful new tool to bring new startups to our incubators and accelerators, where they can already benefit from NJ Ignite, the EDA's new collaborative workspace rent initiative, and put more of their initial funding into research and development, instead of overhead.

And, I look forward to working with the Legislature on this cutting-edge idea.

We must also support existing partnerships.

For example, Rutgers University-New Brunswick is receiving \$1 billion in funding from RWJBarnabas, our largest health care network, to support life sciences research.

We must be part of an all-out effort to ensure their advances get out into the marketplace, where new companies and consumers are waiting.

Both Rutgers and RWJBarnabas were also among the first to join us in unveiling The Hub, which will build on New Brunswick's storied history as a leader in innovation, and be the applied sciences and cross-industry research and development center for New Jersey.

It will build upon the more than \$700 million in research grants received by Rutgers University, which places it among the top 20 public institutions in the nation.

Now, The Hub will bring Rutgers together with Princeton University, and RWJBarnabas together with leading and brand-new life sciences companies, and other health care research partners, in one place.

We will not cede any more ground. Rather, we will reseed New Jersey's.

When new companies graduate from The Hub, we will back them up with a more targeted and strategic tax incentive system, called NJ Forward, which will take the best aspects of our current incentives and retool them to fit within both our current fiscal constraints and future economic aspirations.

We will prioritize job creation over job retention, and encourage companies to look to our urban communities where mass transit can bring employees and employers together. We will use a program cap to bring rewards back in-line with our peer states, and to focus bonuses to align with our vision. And, we will reward companies who invest in their employees through skills development and training.

We will have a program as good as the companies it helps to succeed.

Again, I look forward to working with my partners in the Legislature on this important initiative.

Our other great opportunity lies just off our coast – with offshore wind.

It is no secret that I want to see us unlock the promise of offshore wind to help power a 100-percent clean energy economy by 2050. We already have begun on this path, and we are already at work on a new Energy Master Plan to make it happen.

And, two weeks ago, the Board of Public Utilities set us on an aggressive schedule to see us achieve 3,500 MW of offshore wind energy by 2030 – enough energy to power 1.5 million homes.

Our focus on offshore wind is born out of our efforts to help lead the way in the fight against global climate change. But, in doing so, we can also become a global leader in the emerging offshore wind economy. Every dollar we

invest in offshore wind will return nearly double its value in new economic activity. And, reaching our offshore goals will create more than 4,000 good-paying, high-skill, union jobs.

To be ready for this, we will establish an innovative New Jersey Wind Institute to bring together all the players in this effort – state agencies, organized labor, corporate partners, and our colleges and universities.

We will not be content to just be a leading provider of offshore wind energy. We will strive to be the global leader in every aspect, including developing our port infrastructure to support a robust supply chain here in New Jersey, supporting research for wind-based technologies, and providing training opportunities for our future offshore wind workforce.

And, we will regain our leadership in solar energy. We've opened the door for an innovative community solar program, so more residents – especially those in underserved communities – can benefit from clean energy.

Finally, we will buttress all of these efforts with our fourth pillar – a government that is working better and smarter, viewed as a partner in prosperity rather than an impediment to economic growth.

Let's be honest, New Jersey will never be the cheapest place to do business – our position between two of the nation's highest-cost markets will see to that – but we will continue to strive to provide the greatest value, dollar for dollar, and to maximize our natural advantages for business.

We named New Jersey's first-ever Chief Innovation Officer to push state government forward.

That's a good first step, to be sure, but through the NJ Accelerate initiative we will do much more.

In the Economic Development Authority, we will create a new small business loan program to enhance our business climate.

And, we will create a new small business unit, staffed by a diverse pool of business coordinators, to provide a more robust networking and outreach program, and to ensure a better understanding of the multitude of financing options open to small businesses – particularly minority, women, and veteran-owned small businesses.

We must also simplify the permitting process that has become a roadblock for too many businesses looking to grow or expand in New Jersey. With more than 300 permits spread across more than 10 different departments, it's easy to see the root of this problem. We must make navigation and application easier and more seamless through a one-stop shop for permitting and follow-up.

We cannot allow any entrepreneur to simply walk away in frustration. We will work with her, and guide and support her, from the moment she walks through our door until she gets to walk through the doors of her new New Jersey-based business.

This is what lies at the heart of a stronger and fairer New Jersey.

We are a state that succeeded by being doers, not spectators.

Not far from my office, a bridge across the Delaware River is lit up every night with the words "Trenton Makes, the World Takes." Right now, that bridge is a reminder of the past. But, if we get this right – if we get New Jersey right – it will be a symbol of our future.

We are on the cusp of doing revolutionary things. And there is no reason we cannot – we have our people, we have our location, we have the will, and, now, we have the plan.

And, we have a secret weapon – our New Jersey values. We know these values weigh greatly on the decisions being made in board rooms across the country and around the world.

So, for everyone who cares about commonsense gun safety laws, women's health care, environmental protection and clean energy, the rights of our LGBTQ brothers and sisters, social and economic justice, and immigration policies that allow diverse and safe cities to flourish,

I say, this...

...Come to New Jersey. It will be the best decision you ever made.

Join us on this journey.

We are once again going to think big thoughts and break out of the box in which we have found ourselves stuck for too long.

Recapturing the soul of innovation to recast our economy into one where fairness and strength go hand-in-hand was the driving principle of my candidacy.

And, now, it is the driving principle of my governorship.

In that economic address two years ago, I closed with the words of Steve Jobs, who worried that businesses had found themselves stuck because people stopped thinking deeply about things, and just continued the same old processes that got them to where they were.

In New Jersey, we have seen where that way of thinking has landed us.

Small, shallow thoughts led only to small, shallow achievements.

Focusing only on line-items in a budget has cost us years of economic growth and leadership.

It's time for us to think big, and think deeply, again.

It is time for us to channel the brainpower that, for five decades, made New Jersey the envy of the world – and which has inspired Zahra and so many others to pick up that mantle and run with it to make us the envy of the world again.

This is our path forward.

This is how we build a New Jersey that will work for the next generation, and the generations to come.

This is how we reclaim a stronger and fairer future to build a new economy in which every New Jerseyan can find a place and every family can live their dreams.

Thank you, very much!

May God bless you, and may God continue to bless the great State of New Jersey and the United States of America.

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