
Committee Meeting

of

ASSEMBLY COMMUNITY DEVELOPMENT AND AFFAIRS COMMITTEE

“The Committee will take testimony from invited guests representing State agencies and business organizations on the current state of minority-owned business in New Jersey and measures to improve results”

LOCATION: Committee Room 14
State House Annex
Trenton, New Jersey

DATE: March 5, 2020
10:00 a.m.

MEMBERS OF COMMITTEE PRESENT:

Assemblywoman Shavonda E. Sumter, Chair
Assemblywoman Britnee N. Timberlake, Vice Chair
Assemblywoman Annette Chaparro
Assemblyman Erik K. Simonsen



ALSO PRESENT:

Assemblywoman Verlina Reynolds-Jackson
Assemblyman Antwan L. McClellan

Benjamin Levy
Office of Legislative Services
Committee Aide

Martin Sumners
Assembly Majority
Committee Aide

Kristen O'Rourke
Assembly Republican
Committee Aide

Hearing Recorded and Transcribed by
The Office of Legislative Services, Public Information Office,
Hearing Unit, State House Annex, PO 068, Trenton, New Jersey

Shavonda E. Sumter
Chair

Britnee N. Timberlake
Vice Chair

Annette Chaparro
William W. Spearman
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NEW JERSEY STATE LEGISLATURE

**ASSEMBLY COMMUNITY DEVELOPMENT
AND AFFAIRS COMMITTEE**

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**REVISED
COMMITTEE NOTICE**

**TO: MEMBERS OF THE ASSEMBLY COMMUNITY DEVELOPMENT AND AFFAIRS
COMMITTEE**

FROM: ASSEMBLYWOMAN SHAVONDA E. SUMTER, CHAIRWOMAN

SUBJECT: COMMITTEE MEETING - MARCH 5, 2020

The public may address comments and questions to Benjamin Levy, Committee Aide, or make bill status and scheduling inquiries to Julie Ferranto, Secretary, at (609)847-3875, fax (609)633-1228, or e-mail: OLSAideACD@njleg.org. Written and electronic comments, questions and testimony submitted to the committee by the public, as well as recordings and transcripts, if any, of oral testimony, are government records and will be available to the public upon request.

The Assembly Community Development and Affairs Committee will meet on Thursday, March 5, 2020 at 10:00 AM in Committee Room 14, State House Annex, Trenton, New Jersey.

The committee will take testimony from invited guests representing State agencies and business organizations on the current state of minority owned business in New Jersey and measures to improve results.

Issued 2/28/20

* Revised 2/28/20 – Time changed from 1:00 pm to 10:00 am

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TABLE OF CONTENTS

	<u>Page</u>
Hester Agudosi, Esq. Chief Diversity Officer Office of Diversity and Inclusion Department of the Treasury State of New Jersey	2
Tim Sullivan Chief Executive Officer New Jersey Economic Development Authority (NJEDA)	17
Tai Cooper Senior Vice President Policy and Communications New Jersey Economic Development Authority (NJEDA)	25
Melanie L. Willoughby Executive Director New Jersey Business Action Center Department of State State of New Jersey	27
Michael A. Egenton Executive Vice President Government Relations New Jersey Chamber of Commerce (NJCC)	40
Christopher Emigholz Vice President Government Affairs New Jersey Business and Industry Association (NJBIA)	47
APPENDIX:	
Testimony submitted by Hester Agudosi, Esq.	1x
Testimony, plus attachment submitted by Tim Sullivan	3x

TABLE OF CONTENTS (continued)

APPENDIX (continued)

	<u>Page</u>
Testimony submitted by Christopher Emigholz	15x
Testimony submitted by John E. Harmon, Sr. Founder, President, and Chief Executive Officer African American Chamber of Commerce of New Jersey, and Member Board of Directors New Jersey Chamber of Commerce (NJCC)	17x
pnf:1-55	

ASSEMBLYWOMAN SHAVONDA E. SUMTER (Chair):

Good morning.

We're going to call the meeting to order.

I'd like to begin with the pledge to our flag.

Can we all rise, please? (all recite the Pledge of Allegiance)

Thank you.

So today we are going to host a listening session for our Committee so we have a better understanding of the different programs available to our small and mid-size business community here in the State of New Jersey.

We're going to hear testimony from our State departments; as well as from the Business Action Center, the Chamber of Commerce, and the African American Chamber of Commerce so that we can gauge what is working and what's not working, and how we can put together a package of bills to better support our cities -- the 500-plus municipalities with Main Streets that need to be revitalized.

So at this time, I'd like to call forth Hester Agudosi to provide us with information on all the work that she's been doing for the past year-and-a-half across our state, and meeting with bodies of this house, on the different procurement programs, set-aside programs, and the entity itself.

And we have to do a roll call first.

MR. LEVY (Committee Aide): Assemblyman Simonsen.

ASSEMBLYMAN SIMONSEN: Present.

MR. LEVY: Assemblyman Peters. (no response)

Assemblyman Spearman. (no response)

Assemblywoman Chaparro.

ASSEMBLYWOMAN CHAPARRO: Here.

MR. LEVY: Vice Chair Timberlake.

ASSEMBLYWOMAN BRITNEE N. TIMBERLAKE (Vice Chair): Here.

MR. LEVY: Chairwoman Sumter.

ASSEMBLYWOMAN SUMTER: Here.

Thank you.

Ready; thank you.

HESTER AGUDOSI, Esq.: Good morning.

ASSEMBLYWOMAN SUMTER: Good morning.

MS. AGUDOSI: And I would like to thank you, Chair, for inviting me to participate and to provide information to you regarding the role of the State Chief Diversity Officer, as well as the State Office of Diversity and Inclusion, and the efforts that have been made since my appointment in May of 2018.

I generally do not read from notes; however, because there's so much information and I wanted to make sure that I give you, kind of, just a comprehensive overview, I'm going to at least begin my remarks by reading; and then go a little off the cuff, if that's okay.

And then just open up for any questions that you may have.

ASSEMBLYWOMAN SUMTER: Thank you.

MS. AGUDOSI: So I'd like to start out by just giving some demographic information.

New Jersey is one of the most diverse states in the United States, with nearly 45 percent of its 8.9 million residents being people of color. Minority- and women-owned businesses comprise over half of the firms in

the state, with 237,242 minority business enterprises and 252,944 women business enterprises.

So we know that diversity is one of our key strengths; it drives productivity and innovation. Public and private entities recognize that with democratic shifts and advances in technology, communications, and globalization, diversity is quickly becoming a driver of growth.

Therefore, in order to harness and leverage the economies of the state's greatest assets -- its diversity -- to be a best-in-class national model, the Chief Diversity Officer has been established in the Department of Treasury, and is deployed in order to be responsible for driving and overseeing State strategies as it relates to diversity and inclusion.

I might also note that when we look at a best-in-class model as it relates to Chief Diversity Officer, we really don't have to look that far. If we look across the Hudson in New York state, they've had this position of Chief Diversity Officer in place for many years; and it is responsible for its present 30 percent utilization of minority- and women-owned businesses across all state spend. That is significant.

I say that -- and I'll go a little off-the-cuff here -- because when I started in my position, one of the things that I needed to do was an assessment to have an understanding of where we are as it relates to State spend, particularly on goods and services. One of the things that I quickly found is that despite there being an Executive Order requiring State departments, agencies, colleges, universities and authorities to report their spend on a quarterly basis to the Department of Treasury, that had not been done consistently for the past eight years under the prior Administration; and that reporting is still inconsistent as I speak to you now.

And that's significant, because we can't measure or manage what we are doing, with respect to our spend with minority- and women-owned businesses, unless we're capturing that data and being able to use that data to inform us as to how effective we are.

ASSEMBLYWOMAN SUMTER: Is there a title for that report?

MS. AGUDOSI: I'm sorry?

ASSEMBLYWOMAN SUMTER: Is there a title for that report -- that we should, or that State Treasury, should be receiving?

MS. AGUDOSI: So there's an Executive Order under former Governor Corzine, EO 34, that requires that reporting to be done.

ASSEMBLYWOMAN SUMTER: Thank you.

MS. AGUDOSI: So when we look at, again, examination of best-in-class models for CDOs, they show that the Chief Diversity Officer ensures diversity in appointments, diversity in recruitment, and diversity in inclusion in the appropriation of procurement staff.

I kind of paused a little bit to just give you some state of the State, as it relates to procurement spend.

But I want to talk now, individually, about diversity in appointments and in recruitment, and why that's important.

So when we talk about diversity in appointments, we're talking about -- CDOs generally work with appointment officials and agencies' recruiting teams to ensure that the State's leadership is comprised of top diverse talent that is reflective of the state's diversity.

Now, we know that this Governor's Administration, and particularly his Cabinet, is very diverse. But when we're talking about diversity in appointments, we're talking about beyond the Cabinet level.

We're talking about what does that look like when we go in these respective departments and agencies, in terms of their executive teams and senior management.

And what we generally find -- not just on the public sector side, but also on the private sector side -- is that you have diversity, but you don't have inclusion. And so inclusion means that when we look across the breadth of an organization, where does that diversity reside? And oftentimes what we find is that it is not in those senior management and middle management positions. And that is critically important because those positions impact climate, they impact culture, they impact recruitment, retention, and the development of policies that will foster D&I.

So to the extent that we don't have that level of inclusivity, that facilitates the conditions that the State is presently in, right?

ASSEMBLYWOMAN SUMTER: Do we have an executive order requiring the reporting of that data? Or was this just part of your assessment when you came into the position?

MS. AGUDOSI: So the Civil Service Commission does capture the workforce demographics; but it compiles it in a way that sometimes isn't necessarily clear. So what I mean by that is, if I'm trying to see, in an executive management team, what those numbers are, I can't get that specifically out of their classifications.

ASSEMBLYWOMAN SUMTER: Thank you.

MS. AGUDOSI: And so, again, we find that that is so important, because when we're talking about this issue of driving diversity across State platforms, it's not just dependent upon the leadership from the Governor or

the Cabinet. It's really how that is integrated within these departments and agencies; and that comes from that trickle-down effect.

And what you'll find, oftentimes, is without having that scope going across those departments, it really stops here. And so as it relates to having all the great policies or great legislation, it doesn't follow through in the actual integration and implementation in the departments. Hence, as I indicated, we have an Executive Order requiring reporting of significant data that, in fact, has not been done.

ASSEMBLYWOMAN SUMTER: Right; thank you.

MS. AGUDOSI: So compliance is very much an important component of the role that a Chief Diversity Officer needs to have, and needs to have it to be able to hold accountability on those levels.

In addition, there is a focus of diversity in recruitment, identifying diverse talent. I'm sure many of you know, and I don't have to tell you, that we hear all the time, "Well, we don't know where the people are," or, "We can't find them," and, really, it's just a matter of going out into the spaces and places where diversity is. And in the State of New Jersey that means, literally, stepping outside your door. (laughter)

ASSEMBLYWOMAN SUMTER: Right.

MS. AGUDOSI: But again, like I said, when we focus on -- when we do have diversity, in terms of our numbers within government, but not within the pathways of advancement within government, then we really have to pause and see, "Well, what is causing that?" In my prior position as the Deputy Director and Director of EEO, what I can tell you definitively is that we often hear those types of complaints coming from staff, right? That, "I've

been here for *X* number of years, and I have not been able to advance within the organization for whatever the reason.”

And so that is a distinct difference between the role of a Chief Diversity Officer and an EEO Officer. In the State of New Jersey, EEO officers are charged, really, to enforce the State anti-discrimination policy. So it’s policy-driven as it relates to the State policy. It doesn’t always include looking at these issues of climate and culture within an institutional organization, and what are those barriers that are influencing or impacting diverse staff being able to move within the hierarchy of an organization.

And so, again, having that focus of making those systemic changes within organizations to address the barriers for promotional opportunities, the barriers of identifying talent; and even, in some instances, utilizing the *Rooney Rule*, to ensure that we have a diverse slate of candidates, is something that Chief Diversity Officers often utilize.

And so, just for clarification, the Rooney Rule -- if you’re not familiar with that -- that was something that was introduced many years ago when the NFL decided that it wanted to take the position of diversifying its coaching staff. Because you have many players in the NFL -- again, that would be another dynamic -- when you look at the players themselves, the majority of them are of color. But when you look at the leadership of the organization, including coaching, that was not reflective of that diversity.

So under the Rooney Rule, it was implemented that any time that there was going to be a consideration of candidates for a coaching position, that the slate had to include diverse candidates. And so you couldn’t just have a slate and it would be non-diverse. And by doing that, and making sure -- and signaling to HR that you had to diversify the slate,

what they found as an outcome was that it resulted in significant increases in the number of diverse coaches in the NFL. And that is a practice that has been adopted, not just within the NFL, but across the corporate sector, as well as in the public sector, ensuring that we have diverse slates.

When we talk about diversity and inclusion in the appropriation of procurement spend -- and that's looking at of the billions of dollars that the State spends on goods and services -- how much of that goes to these diverse businesses? As I indicated in my initial remarks, over half of the firms in the state are minority- and women-owned businesses. The last time that the State had conducted a disparity study, which was in 2005, it showed that our spend with these businesses was somewhere in the area of less than 5 percent.

We have not had a statewide disparity study since 2005, and I think that that's, frankly, telling when we talk about the State's commitment to diversity and inclusion, and really what is going on as it relates to our spend.

So we have the lack of the reporting, as well as, really, the lack of an analysis of what our spend has been with these businesses since 2005.

So one of the -- what I considered to be really a matter of urgency for me, coming into this position, was -- of the three areas that I identified -- really focusing, for the past year-and-a-half, on that issue of procurement spend. Because we know that when these businesses are part of the State supply chain, that these businesses -- again, just based upon the data -- shows us that they employ people of color and that they also, in many instances, increase the competitive nature of our spend. Because we're-- And its funny; I was at a conference in New York yesterday for professional asset managers.

And one of the things that was said there is that when it comes to these pension systems -- and they are utilizing 30 percent of the asset managers there -- that means you're leaving money on the table, right? Because all the other asset managers -- and particularly what the facts have shown, data -- is that diverse asset managers outperform their colleagues. But to the extent that they're not being utilized, then the state actually is being disadvantaged.

So for all of those reasons, there has really been a push and a focus, from my office, on how we can better engage and increase the use of these diverse businesses in our supply chain.

ASSEMBLYWOMAN SUMTER: And you've done, if I read correctly on the website, a couple of seminars where you've invited business owners in for the procurement process, correct?

MS. AGUDOSI: Yes. So one of the first things-- I Co-Chair -- and Assemblywoman Chaparro is on that Commission -- the State Disparity in Procurement Study Commission. So one of the things that's important is really getting an understanding of what is it, if any, in our State's system and processes that accounts for this low utilization of these businesses. And what we found through testimony and what we know is that there are some systemic problems, beginning with access to capital; the thresholds that we have right now for some of these businesses to compete on State contracts. We've had witnesses who have come in and testified that there are just artificial thresholds. "I may have worked for a large firm for 30 years, and bring 30 years of experience to my now-new business, but when it comes time for me to compete none of that counts. And I'm required, in many instances, to have levels of experience or levels of staff that aren't necessarily needed to perform the job."

So by way of example, you could have a larger business that has a hundred people, let's say, that meets that threshold. But when it comes to actually working on the job, not all hundred people are working on a job; it may be five. But based upon the way that the RFP is written, it's requiring you to have a staff of a hundred. Whereas, that's not really what's needed in order to get the job done.

So we need to really kind of look at what our thresholds are as they relate to procurement. We also are looking at what we call the *Delegated Purchasing Authority*. Right now, in the State of New Jersey, our Delegated Purchasing Authority is \$40,000. What that means is, anything \$40,000 or less does not have to go out to public bid; anything \$40,000 or beyond has to go out to public bid. What we find is that when a business wants to respond to an RFP -- and I could tell you, because I'm situated within the Department of Treasury -- that can be a very cumbersome effort. Some of these RFPs that they have to do -- RFP meaning *Request for Proposal* -- could be 50, 60, 100 pages. So the reality is, that if you're a small business or a diverse business, and you have to do your job and take the time to respond to an RFP that's 50 to 100 pages, you might do it for the first time and you're unsuccessful -- how many times are you going to do that?

ASSEMBLYWOMAN SUMTER: Are your thoughts that we take the threshold up for them to apply?

MS. AGUDOSI: Absolutely; that's one of the things that we were looking at. We had witnesses come in from New York state -- again, which is a model -- from Metropolitan Transit Authority, a multi-billion-dollar state authority in New York. Their DPA level is \$500,000; in the state itself, I think it's \$250,000. And that can be a game-changer, because now

that means that you don't have to respond to a cumbersome RFP; but all the agency has to do is solicit three quotes.

ASSEMBLYWOMAN SUMTER: Right; so I know one of the big issues with the procurement process for minority businesses -- the State had a lawsuit some years ago, and we were not successful in winning that lawsuit. But New York has been able to find the right language so that it's not litigious, and they're actually able to grow their inclusion piece.

Do you know how we would get around that stated barrier?

MS. AGUDOSI: Sure. So what you're referring to is the GEOD litigation. And to just give some context to that -- what was the impetus for that is that the State of New Jersey actually, in order to diversify its supply chain, established a set-aside for minority- and women-owned businesses. And at the time that that set aside was established, there was litigation going forward in the United States Supreme Court that was challenging the use of set-asides for minority- and women-owned businesses in other states.

The United States Supreme Court came out with its decision that essentially said that the State could develop a set-aside program; but if it were to be race-based or gender-based, which are considered to be -- and I don't know why I can't think of the legal term for it now -- *protected classes* -- that in order for it to be race-based, the State must demonstrate compelling evidence of a disparity. Hence, a disparity study had to be conducted to show that that type of action was needed.

New Jersey had established a set-aside program in the absence of actually having a disparity study conducted prior to that.

So the State entered into a consent agreement that it would not go forward with the set-aside.

Frankly, one of the problems with the evolution of that decision, I believe, is that it's really been over-used--

ASSEMBLYWOMAN SUMTER: Right.

MS. AGUDOSI: --in a way to limit the ability for the State to take more assertive action. And so what do I mean by that? To your question, New York State does not have a set-aside for minority- and women-owned businesses. What it does is it has goals, and they set those goals based upon disparity studies that have been conducted. And those goals that they place are enforced through a number of areas in which there is compliance. Not just from the governor's level -- and I say this because I have been in conversations and meetings with the governor's counsel over in New York state, as well as many of the key stakeholders that oversee that program. So there's compliance on every level, as it relates to those goals. It's written into the language of their contractual agreements. They make diversity and inclusion a qualitative factor in considering, among other factors, who they're going to do business with. And New Jersey can, very much, do those, because that's not a set-aside; that's basically saying that we value diversity and inclusion the same way that we would say we value many other factors in determining who we're going to partner with.

So it could be, for instance, we value experience, we value how much work you've done in this particular area. So to make diversity and inclusion an evaluative criteria is important if you want to see that type of integration now of utilizing these businesses. Because the State is signaling to the market that this matters to it, and the market will respond in order to continue to be a player or to be able to be a part of our supply chain.

ASSEMBLYWOMAN SUMTER: Great, thank you.

ASSEMBLYWOMAN TIMBERLAKE: Through you, Madam Chair.

ASSEMBLYWOMAN SUMTER: Sure; I was going to open it up to other members of the Committee.

Thank you for the comprehensive, brief information. (laughter) I know there's a lot of detail in that. If you can make sure we have a copy of your testimony--

MS. AGUDOSI: Sure, absolutely.

ASSEMBLYWOMAN SUMTER: Thank you.

Madam Vice Chair.

ASSEMBLYWOMAN TIMBERLAKE: Through you, Madam Chair; thank you very much.

And thank you for your work and your testimony here today. I know that you've been working extremely hard to really close the gap between the disparities.

In Essex County, we actually organized behind a disparity study that was done, I believe, in 2005 as well. And we were able to do it because -- since the disparity study was done, there was an office in place keeping track of how many contracts went to who and what was the makeup of each company. And out of that-- And seeing that, through tracking the data, there was -- it proved more disparity -- women businesses, minority businesses, and veteran businesses -- we were able to pass an ordinance. Again, it does mention goals, but it was a set-aside goal-oriented ordinance. And it borrowed, also, from what Maynard Jackson had already done down in Atlanta, which created a joint venture set-aside program so that businesses that maybe have the capacity to do-- And I like what you're saying, "Let's

just cut a lot of this red tape. If the proposals are a hundred pages long, that's ridiculous; they don't need to be, okay?" (laughter)

I hear you loud and clear, and I think that's awesome. But also, as it pertains to construction, bonding is an issue, right? That's a barrier that is happening. One of the most interesting things that I read in the Essex County disparity study is something that black people in particular talk about around our dinner table. And it is that despite having the three Cs --the credit, collateral, and cash -- that black and brown people are discriminated upon more in the credit market.

Now, we knew this as minorities, right? But it was very enlightening to see it actually written in black and white in a government report.

And using that information, again, we established the joint venture set-aside program. So let's say Richie Rich has a company, and they want to partner with a minority company -- that they could, and the bonding goes under that entity formed; and they have all of the leverage in order to get the bonding.

And there were also some other things that we were very intentional about doing, because sometimes during partnerships someone will check the box, that, "Yes, we do have a minority partner." That minority partner is never called on the site--

ASSEMBLYWOMAN SUMTER: Right.

ASSEMBLYWOMAN TIMBERLAKE: --never even gets a check. We made sure that all money dispersed was actually dispersed to both entities by way of that legislation, too.

So that's just a little bit of food for thought. I think you're doing an excellent job tracking. I don't necessarily know if we need a whole new disparity study again because, again, you are tracking. So that was a way that we were able to save money in the County of Essex -- was because although the disparity study was old, we had been tracking and we could still prove disparity. Basically the disparity study was still relevant, although old.

Thank you.

ASSEMBLYWOMAN SUMTER: Thank you, Assemblywoman.

Any other members of the Committee?

MS. AGUDOSI: I just would like to clarify one thing.

ASSEMBLYWOMAN SUMTER: Sure.

MS. AGUDOSI: As it relates to what you said, in terms of me tracking -- I was able to get money through OIT for us to deploy a dashboard so that we can actually capture the data. So I don't want to--

ASSEMBLYWOMAN SUMTER: *OIT* is Office of--

MS. AGUDOSI: Office of Information Technology.

ASSEMBLYWOMAN SUMTER: Information Technology; okay.

MS. AGUDOSI: I'm sorry; so I don't want to suggest that that information is being tracked now, because it is not.

ASSEMBLYWOMAN TIMBERLAKE: Currently; okay.

MS. AGUDOSI: But that is definitely something that we're looking to do. Because the way that the tracking-- Even when it was being done, it was only tracking the spend with primes, and not with subs.

ASSEMBLYWOMAN TIMBERLAKE: Subs; yes.

MS. AGUDOSI: And so we know that that's important in order to know, really, where the spend is. Just telling us what the spend is with the prime, without telling us the spend on the sub, results in what you said -- not being able to really measure and manage.

ASSEMBLYWOMAN TIMBERLAKE: Yes.

MS. AGUDOSI: And compliance is a key component of really ensuring that you have a robust supplier diversity program; so I agree.

ASSEMBLYWOMAN TIMBERLAKE: Thank you, Hester, for your work.

ASSEMBLYWOMAN SUMTER: Thank you very much for your time today.

MS. AGUDOSI: Thank you.

ASSEMBLYWOMAN SUMTER: All right; have a great day.

MS. AGUDOSI: Thank you.

ASSEMBLYWOMAN SUMTER: Next, we'll hear from Ms. Tai Cooper, Christina Fuentes, and Tim Sullivan, with the Economic Development Authority.

Assemblyman McClellan, would you like to join us up here, or do you just want to listen from the back? (laughter)

Please; and I'm going to seat you on the *D* side at that.

ASSEMBLYMAN McCLELLAN: Thank you. (laughter)

ASSEMBLYWOMAN SUMTER: Welcome; thank you for joining us.

Actually, I'm going to seat you on the other side, since-- Assemblywoman Reynolds-Jackson, would you like to join us up here? (laughter)

You can join Assemblyman Simonsen.

Hi, Assemblywoman; how are you?

ASSEMBLYWOMAN REYNOLDS-JACKSON: Hello; good to see you.

ASSEMBLYWOMAN SUMTER: Great; welcome, welcome.

They want to know where all the money is going. (laughter)

TIM SULLIVAN: How much time do you have? (laughter)

ASSEMBLYWOMAN SUMTER: So truly, we're allotting you about 10 minutes for your overview--

MR. SULLIVAN: Sure, great.

ASSEMBLYWOMAN SUMTER: --and then, if you'll allow us questions.

MR. SULLIVAN: Okay.

ASSEMBLYWOMAN SUMTER: Great, thank you.

MR. SULLIVAN: Good morning.

My name is Tim Sullivan; I'm the CEO of the Economic Development Authority.

I'm joined by Christina Fuentes, who leads our Small Business Office within our Business Development Team; and Tai Cooper, our Senior Vice President for Policy and Communications.

Chairwoman Sumter, members of Committee, it's an honor to be with you this morning. Thanks for inviting us to come share some updates on what we're up to, and share our perspectives on how we roll this important ambition forward.

Encouraging the growth, development, and success of minority-owned businesses, and facilitating equitable access to existing and proposed

programs is a critical issue for New Jersey. I'm grateful for the opportunity to highlight some new programs that we have underway, that we've created under Governor Murphy's leadership, to begin to address these challenges and update you on our plans to do more in the future. Because, by no means, are we here to declare "mission accomplished;" that we've done everything that needs doing.

Small businesses, as you all know, are the heart and soul of communities, and play an outsized role in the overall New Jersey economy. They not only give each community a unique local flavor, but they also provide benefits that go far beyond economic activity. They're centers of social life, they support community programs and sports teams, and help breed a sense of pride that's crucial to building strong, unified communities. Critically, small businesses are also significant generators of new jobs.

Sadly, small businesses, especially minority- and women-led businesses, continue to face barriers that have hindered their growth. Historically, a lack of access to capital and a variety of other challenges have combined to make it more difficult for entrepreneurs to start businesses and have forced many established small businesses to forego expansions or close their doors.

These challenges affect most small businesses, but they disproportionately hold back immigrant, minority, and women-owned businesses. The evidence shows access to financial capital is lower for minority owners. For instance, one study found minority-owned businesses often rely more on personal and family wealth than external debt or equity for business financing. Another study showed that among businesses with annual gross receipts of \$500,000 -- so not the smallest businesses but, sort

of, small-to-midsize businesses -- 17 percent of minority-owned businesses receive loans, compared to 23 percent of businesses overall. So a pretty big gap and disparity there between minority- and nonminority-owned businesses.

And access itself isn't the only issue. Studies have shown that minority owners, even when they need funding, are less likely to seek loans from banks for fear of rejection.

Addressing the challenges that small business owners face and proactively dismantling structural barriers to success has been a top priority for the Murphy Administration. To support our increased commitment to small business, the NJEDA created a dedicated Small Business Services Unit, charged with providing robust financial workforce, and technical support to support the small business community. Led by Christina Fuentes (indicates), who, as I mentioned, is with us this morning, this team meets small business owners, in their home communities and at their businesses, to spread the word about NJEDA resources and other State support that they may not know about or may not have realized that they qualify for.

Many of the NJEDA programs for small businesses focus on addressing access to capital challenges, and we're really proud to have rolled out a number of new tools, in the last 18 months or so, to address this issue. One of them is the NJEDA's *Access Program*, which is a \$15 million pool of capital that is designed to make it easier for business owners to qualify for finances -- compared to some of our other small business tools -- by placing a greater emphasis on cash flow rather than hard collateral. This is especially important for women- and minority-owned businesses, which may be thriving

because of a great business model and a great business plan, but do not have the capital stores to provide collateral for financing they need to expand.

Even with this increased flexibility, many very early-stage businesses cannot qualify for traditional financing, even through an EDA-sponsored program. And that's why we stood up, in November, a new *Microbusiness Loan Program*, which is a pilot program capitalized with \$1 million from EDA's balance sheet, that will provide loans of up to \$50,000 to early-stage and micro businesses with a significant focus on women-, minority-, immigrant-, veteran-, and LGBT-owned businesses -- up to \$50,000 per loan; so on that smaller scale that many banks and even many government programs struggle to cater to. And this is really for folks who employ 10 or fewer people; so this is for the smallest side of the equation.

To help businesses establish a physical presence, particularly in our downtowns that are struggling, our *Small Business Lease Assistance Program*, or *SBLAP*, if you will--

ASSEMBLYWOMAN SUMTER: Terrible acronym. (laughter)

MR. SULLIVAN: I take the comment fully; thank you. The marketing department was out that day. (laughter)

Thank you, Madam Chair; now I'm completely off my rhythm. (laughter)

--reimburses businesses in targeted downtowns for a portion of their annual lease payments for market-rate, first floor office, industrial, or retail space. This has been an important tool for businesses and communities, because it not only helps small business open a storefront, it also brings new life to downtown areas and cities that have suffered from long-term vacancies in their downtown corridors.

These programs have helped the diverse range of small businesses launch and grow right here in Trenton. Arlee's Raw Blends and Haleemah Islamic Fashions -- two black women-owned businesses -- have used the SBLAP program to open storefronts in downtown Trenton; to minority-run businesses, Shawnee Trucking and Shakti Group USA, which have used financing through our Premier Lender Program to purchase additional space. I was with Shakti in Hamilton last week at their new facility that they've opened for their successful business. These programs are helping New Jersey companies expand and create jobs.

I also want to mention a program that we've been very proud to be running, in partnership with the African American Chamber of Commerce, around bonding. I know you heard from Hester a moment ago about the importance of bonding for construction contracts. It's a program we run with funds appropriated by the legislature three years in a row, I believe, called the *Small Business Bonding Readiness Assistance*. It's a training and capacity-building program focused on small business, but really, in particular, focused on women and minority businesses, that I believe more than 30 different companies have gone through. We're in the second cohort; we're in the second year of that program. I think it's a little more than 30 different contracting companies that have been through that program and have qualified for and have won more than \$5 million worth of contracts, public contracts, at the State, local, and county level -- that have been through that program. And that number will grow because it's the very early days in that program.

We've also launched a variety of programs that are specifically addressing barriers that hold back minority- and women-owned businesses.

And many of these have been developed with input from a *Diversity Roundtable* series that we've been conducting, that Hester has been a part of -- is Hester still back there? (laughter) -- that Hester's been a part of as well, that's been really important for us as a way to gauge and engage stakeholders to identify strategies for supporting minority-led businesses.

And many of these tools have been incorporating diversity and inclusion into pre-existing programs. The *Angel Investor Tax Credit* is a really good example of that. The Governor signed legislation last summer to not only double the value of the angel investor tax credit -- which is a really important tool for the innovation economy -- from a 10 percent refundable credit to a 20 percent refundable credit; but that 20 percent goes up to 25 percent if the qualified investment is in a woman- or minority-owned firm. That took effect as of January 1. I don't quite have any success stories to talk about yet; but give us a couple months, and we'll be back with some. We're very excited about this, because if you think about entrepreneurship and closing the wealth gap -- not just the wage gap, but the wealth gap between communities of color and the overall state, entrepreneurship and the development of scalable-growth businesses is a really important part of that equation.

The Film and Digital Media Tax Credit that was enacted in 2018 also includes a diversity bonus of 2 percent on top of the 30 percent tax credit; and that's all elements of the production. So this is in front of the camera, behind the camera, in the supply chain, the caterers, the security contracts; looking to encourage diversity and inclusion in that part of the economy as well. And that's a booming part of the economy. As many of you know, production of film and television is up about 300 percent in New

Jersey since the introduction of that tax credit in 2018. So that's a big opportunity for a new and growing industry, and an opportunity to get it right or to make progress, if you will, on diversity and inclusion in that industry.

The last thing I'll mention -- then I promise I'll be quiet for a little while -- we just, last week, made a very important announcement around diversity and inclusion in the innovation and entrepreneurship part of the economy. We launched a process -- and that process has a lot to do with some of the challenges that Hester was speaking about earlier on procurement, and how State funds can be deployed -- a process known as a *Request for Information* from the marketplace to increase the amount of early-stage growth capital for black and Latinx entrepreneurs. We're being very specific and very targeted when we think about those two communities that have struggled historically, in a dramatic way, to access early-stage growth capital. Depending on which study you look at, between 1 to 2 percent of all the venture capital in the country goes to either black or Latinx entrepreneurs. If you look at women of color, it gets even smaller. An infinitesimally small amount of venture capital has flown to women of color who have founded companies, which is an equity issue, it's a justice issue, it's an economic development and growth issue.

So we're very excited about what we expect to hear back from the marketplace on that, which is that we would be well-served to stand up an EDA-sponsored, EDA-funded public-private partnership, early-stage seed capital fund focused on black and Latinx entrepreneurs in New Jersey. So we're very, very excited about that, and much more to come on that. But we're really excited about that, and we took a big step with that last week.

As I mentioned, we could go on. The amount of things we're working on and thinking about -- we could spend the entire morning with you, but we've only been allotted a few minutes of your generous time.

So thank you for your time. This is part of a broader transformation of how the EDA thinks about who we serve, who we are, and who our constituents and stakeholders are. We've been going through a process, over the last two-plus years, to broaden what we do, how we partner, with whom we partner, and who we are.

And so having a focus around small businesses generally, and particularly minority- and women-owned businesses, has been a big area of focus for us, and one we'll continue to develop new tools for. Because I'm positive we have not yet cracked the code.

ASSEMBLYWOMAN SUMTER: Great.

So I want to give a testament to how a couple of the programs work, coming from the City of Paterson.

The Film Tax Credit -- last summer alone we filmed four major films, which put \$1 million into the downtown; it's like a 0.4 square mile radius. But \$1 million infused into the downtown -- which are third-generation business owners -- for the eateries, for the clean-up. My office was in the streetscape where they were doing the filming. So that legislation really had an impact on our economy locally.

And then, of course, I'm looking forward to seeing what this new Angel Investor program looks like as we track it. Because it's space that is new space for us, as New Jersey; but we definitely have to socialize it.

And then the last point -- if any members have not had members of the EDA in your home districts, I urge you to make sure that they get into

your towns, with your mayors, and you sit with them. Because it's, again, another resource that -- we know our towns are busy with the day-to-day, but they do have resources that will come to your home city and help you map out how they can be helpful.

Thank you.

MR. SULLIVAN: Thank you, Madam Chair.

T A I C O O P E R: So one of the things -- If I may, Chairwoman, one of the things -- just to add on to that -- and I'm glad you said that -- we are doing a 21-county road show, where we're hitting up every single county to talk about all the resources and all the additional tools that we have as an organization.

And two other things I just want to mention that Christina's been working on. She's been really intentional about the work she's doing for the Chamber of Commerce. She's been very intentional about doing work with the African American Chamber of Commerce and the Hispanic Chamber; she should talk about some of that work.

And then, also, the work that we've been doing with *digitalundivided*, which is a black-owned company that's based out of Newark, New Jersey. They're from Atlanta, but their whole process is doing research in numbers on how many black and Latinx women are actually getting supported. They did a whole study on Newark, and we've had great interactions with them.

And the last point I'll mention, also, is that we've been intertwined with Hester and her team, so all the new initiatives that we're having come out of EDA, Hester has had her fingerprint on top of them. It's a really good working relationship.

And lastly, I have to mention Opportunity Zones. We have this interagency working group that we've been focused on. And again, it's 75 municipalities that receive *Opportunity Zone* designations; they're in the most distressed communities. And one of the targets that we are focusing on, again, is supporting black and brown businesses.

So for us, these are critical things as an organization, as EDA, that we're focusing on; but it really goes across the board with our other partners.

ASSEMBLYWOMAN SUMTER: Awesome.

Ms. Cooper, can you make sure that we get a copy of the report on the digital divide--

MS. COOPER: Yes, absolutely.

ASSEMBLYWOMAN SUMTER: --so we can take a look at it? Again, if we can find tools that can work statewide, and help to expand the resources, so we have more intelligence to advocate for that, that would be great.

MS. COOPER: And just for clarification, the *ProjectDiane* they just did was Newark specifically.

ASSEMBLYWOMAN SUMTER: That's fine.

MS. COOPER: I'll see if they have a larger one; but I'll send you that one.

ASSEMBLYWOMAN SUMTER: Oh, okay. That, at least, will give us--

MS. COOPER: Context, yes.

ASSEMBLYWOMAN SUMTER: --a footprint.

Great; thank you.

Any questions from any members? (no response)

Thank you.

ASSEMBLYWOMAN TIMBERLAKE: Thank you for your work.

MR. SULLIVAN: Thank you so much for your time this morning; we appreciate it.

MS. COOPER: Thank you.

ASSEMBLYWOMAN SUMTER: Okay, great; thank you.

Okay, we're now going to ask Ms. Melanie Willoughby, with the Business Action Center, to come forth and share with us some programming that they have.

Thank you all for the work you're doing.

MELANIE L. WILLOUGHBY: Well, good morning everyone. It's really great to see you.

I'm Melanie Willoughby, and I'm the Executive Director of the New Jersey Business Action Center. And the Business Action Center is part of the Department of State.

And for those of you who may not be aware, the Business Action Center has actually existed for over 30 years. It has actually been part of the -- when we had a Department of Commerce, then when we had a Commission of Commerce, and then when it was moved into the EDA; and then it was moved into the Department of State. But it's always been the *Business Action Center*, and its mission has always been the same -- is that it has been a group of business advocates with a great deal of expertise, about helping all businesses; to basically be the boots on the ground -- those people who are there to help them with the nuts and the bolts, being able to guide them

through all of the State programs, all of the State processes, to navigate the bureaucracy.

And so the Business Action Center's mission is really to help businesses get started, it's to help them grow, it's to help them find funding, it's to help them be able to find employees. And so we don't create programs; but what we do is, we know about them all and we are the great connector.

So when you heard about the great programs that the EDA has, we help connect businesses that are getting started, entrepreneurs who are interested -- helping to connect them. We help to connect them to the programs of the Department of Labor or to the Board of Public Utilities.

And when it comes to small businesses particularly, we get over 26,000 phone calls a year on our business helpline, where we have five people -- also those who speak Spanish -- who answer our helpline. And they are able to guide the individuals who are calling with the ideas that they have about starting a business.

Now, I will tell you that there are some people who call us interested in starting a business, where we will have to talk them out of it. (laughter) Yes; because we do feel that it's part of our responsibility to basically run through a whole list of questions with them about how much capital do they have, what is their business plan, do they have a marketing plan, have they really thought about this, are they able to really get their product made.

And so we have experts who know how to do this, and who do this for them. And then we have other ideas, based on what their expertise is, and we help walk them through that. Because, you know, anyone who is starting a business needs to have a business plan, they need to have a

marketing plan; and some of them -- all they have is an idea. And so we love that, but we want to help them with that.

So once we have an entrepreneur who has an idea that we think is really viable, we'll then walk them through registering; how to get their tax ID number; we'll talk about microlending, which is -- not necessarily where they're going to be going to a bank. There are a lot of microlenders out there that we can help to connect them to and that work very well with the minority- and the women-owned businesses.

We will then, also, connect them with our other partners; and we have many, including the EDA, which is a tremendous partner for our small businesses. However, we also have the SBDCs; are you all familiar with the SBDCs, *Small Business Development Centers*, which, actually, the Business Action Center helps to fund? And so we will work with them, where we will send them to the SBDCs to help them write their marketing plan, to help them with actually putting together their business plan.

We also work together with the PTAC Centers. So that is Procurement Technical Assistance Centers, and the New Jersey PTAC Center is up in NJIT. And so, essentially, normally a small business, an entrepreneur starting out, is really going to want to get into procurement. And procurement, as Hester has explained to you, is a very complicated process. And the PTAC Center's job is to help walk them through how to do it. Because they can, essentially, walk you through how to file the application; but then once you, maybe, are answering the RFP, or you now are a contractor or a subcontractor -- for the most part, that's what a lot of small businesses will be -- is that they really need a lot of help with that.

So the PTAC Center helps them, the Small Business Development Center helps them, and we help them.

And so I want you to think of the Business Action Center as sort of being the family that helps to guide this individual who wants to be able to build a business in New Jersey. And the fact is that we are there for them. And we let everybody know that we exist, because we go out and we do many, many presentations on procurement. We work very closely with all of the local chambers, all of the county Economic Development Offices, where we go out to let everybody know that we're available. Because I don't have money for a billboard, but if you'd like to give me an appropriation for that, I'm happy to talk to you about that. (laughter)

However, as a State agency, what we have to do is really get out there and do the walking and the talking; which is what we do. And so I appear at over 200 events a year.

ASSEMBLYWOMAN CHAPARRO: That's it? (laughter)

MS. WILLOUGHBY: I know, I know; I'm such a pauper when it comes to that, right? Yes, but I have 33 people, so multiply that -- where we appear. And I've always said that I'll just talk to two people at an event. So we're out, basically, talking to them so that they know we exist, and so that they know they'll make those phone calls.

Now, the other great thing we just added is a -- what's called a *chat bot*. We're really very in the know now about having a chat bot where, 24/7, someone who gets an idea at 4 a.m. can now--

ASSEMBLYWOMAN SUMTER: Great, great; best ideas. (laughter)

MS. WILLOUGHBY: Right; best ideas. And when they access the chat bot, what we have now are how-to guides and quick-start guides, which we've developed. So if you have an idea that you want to start a food truck, for instance-- Very big in the minority- and women-owned business community, because it is the most asked question we get: food trucks. So we have a how-to guide. Say, you want to start a food truck -- download through the chat bot, and you're ready to go. It tells you exactly what to do. So we have that for so many different types of small business startups to help them, because we want to be able to give them instantaneous advice to the best of our ability.

So I want you to think of us as, really, a connector, information educator, because we have a big investment in our State in really helping all of our entrepreneurs get going and to do it successfully.

ASSEMBLYWOMAN SUMTER: So a couple of questions -- and thank you.

MS. WILLOUGHBY: Absolutely.

ASSEMBLYWOMAN SUMTER: I looked on the website -- and I'm not sure whose website it was because, of course, after a while, everybody's website--

MS. WILLOUGHBY: Yes.

ASSEMBLYWOMAN SUMTER: --sort of jumps you to another website.

But there was a business opportunity link that had RFPs on it, not updated since 2018, for the State.

MS. WILLOUGHBY: Yes; that's the Department of Treasury.

ASSEMBLYWOMAN SUMTER: Okay; so is that somewhere else that is more current?

MS. WILLOUGHBY: No, I don't believe there is.

NJSTART is where -- is the website for people who want to be able to register and look at opportunities for bidding.

And so you have hit on a very good point. The fact is that our procurement system in New Jersey is so complicated, and so confusing, and not even unified across departments--

ASSEMBLYWOMAN SUMTER: Right.

MS. WILLOUGHBY: --and even between offices within the departments they're different, in terms of their standards, their requirements -- that it is very confusing for an entrepreneur or small business to do that, which is why they need a lot of help. But I have always said that I would like my job at the Business Action Center to go away if we can make government simple. But I'm going to say the same thing about procurement--

ASSEMBLYWOMAN SUMTER: Right.

MS. WILLOUGHBY: --because it is so complicated.

ASSEMBLYWOMAN SUMTER: Yes.

MS. WILLOUGHBY: And most small businesses really don't have a chance.

ASSEMBLYWOMAN SUMTER: Right.

MS. WILLOUGHBY: They really are going to be a subcontractor, which is what we advise them -- about trying to go in and see who the contractors are, and then trying to work with them.

ASSEMBLYWOMAN SUMTER: So a couple of things; and you mentioned that the Business Action Center has been around for 30 years.

MS. WILLOUGHBY: Yes.

ASSEMBLYWOMAN SUMTER: My Co-Chair mentioned *red tape* in navigating -- trying to expand your business, or either scale up, which we also heard from EDA.

MS. WILLOUGHBY: Yes.

ASSEMBLYWOMAN SUMTER: And while I know there's multiple connector points, the frustration for any business is going to the multiple entities; and we've had that conversation, "I have to go to 10 people," and you always-- Annette Chaparro is, like, infamous for making sure that she's fighting, because there are too many points of contact for that business person who's trying to expand.

How can we streamline, instead of going to the State, and then coming back down to the SBDCs, then coming back over to a chamber, to navigate getting your business started or getting to that lending portion?

MS. WILLOUGHBY: So I'm going to be the Vanna White here, and just tell you (indicates) that this is what you do. (laughter)

ASSEMBLYWOMAN SUMTER: Oh, we have an 800 number? (laughter)

MS. WILLOUGHBY: We do have an 800 number, yes. You just need to call 1-800-JERSEY-7 -- and I'm going to give this to all of you.

ASSEMBLYWOMAN SUMTER: I'm going to call there when I leave here.

MS. WILLOUGHBY: I want you to call--

ASSEMBLYWOMAN SUMTER: Okay.

MS. WILLOUGHBY: --and you can ask for me.

ASSEMBLYWOMAN SUMTER: Okay. (laughter)

MS. WILLOUGHBY: But we have five people there who will answer your question.

And so this is where I say that this is the great connector -- is that, yes, there are a lot of entry points into -- for a business, because they may not all know that the Business Action Center exists, right? But we try to tell every chamber-- And now I'm on a mission where I'm going out and meeting with mayors and local elected officials, because of the fact that I feel that one of the great entry points is someone thinking of starting a business is going to go to their municipalities. They're going to talk to the municipal clerk all the time.

ASSEMBLYWOMAN CHAPARRO: That's where I want to enter in. So I'll let you finish your point, then I'll enter in.

MS. WILLOUGHBY: Right; so they go to talk to the municipal clerk. So I went to talk to the Municipal Clerks' Association, and I said to them, "You get all those questions, and you don't know how to answer them because you don't know what State agency to send them to. It's not your job to know how to register a business. You know for your municipality what license or permit they need; but you're not going to necessarily know what they need at the State level. And then you say, 'Well, I don't know.' But you don't know where to send them.

"And I'm going to tell all of you that all you have to do, so that you look really smart, is that you just tell them to call 1-800-JERSEY-7 and we will take care of them."

And so, yes.

ASSEMBLYWOMAN CHAPARRO: So if I may, that's one of the connections that's very, very important. Small businesses -- they come to you, they have all the great ideas. They get talked through everything, they connect all the dots. Let's just say everything works fine.

Now they want to take their business and put it in a municipality that's, maybe, not so well organized. That business is going to be frustrated, because they feel that that municipality is going to doom them. Like, they're just going to not thrive.

MS. WILLOUGHBY: Right.

ASSEMBLYWOMAN CHAPARRO: So how do we connect that to make sure that all the good work you just did doesn't bring them down when they enter a municipality that -- parking will be impossible, that all of a sudden there are these fees that are coming down to a business that's thriving now; homeless are not being taken care of -- the homeless people who are there.

There are so many things, even food trucks -- I mean, the parking with food trucks, and the fees that come with it, and all the licensing. Once they say, "Hey, that looks good. Let's just start tapping in so we can make revenue," you don't want to hurt business. So we have to bring that in and connect it. And maybe the city clerk doesn't have all the answers, they'll send them to the State, and then they do all good work; and then they have to come back to the municipality that's going to misguide them or frustrate them.

MS. WILLOUGHBY: So Assemblywoman, I totally--

ASSEMBLYWOMAN CHAPARRO: Not all, but-- (laughter)

MS. WILLOUGHBY: No, no -- but I completely understand that, because we also work with the local municipalities, especially when it comes to helping a business understand what they have to deal with, perhaps, with code enforcement, fire safety, expanding their building or even building a building, all the building permits they're going to need.

So not that I want to throw anyone under the bus, but I'm going to try. (laughter)

So I had a meeting with the Association of Construction Code Officials (*sic*).

ASSEMBLYWOMAN SUMTER: Yes, please share this.

MS. WILLOUGHBY: I will share this story with you.

So it's the Association, and the Association of Construction Code Officials -- all very lovely gentlemen -- except for the fact that they felt they had no responsibility whatsoever to help a business through the process of getting their permits and understanding what the process was; no responsibility whatsoever.

And so I, in talking to them, said, "Okay, so what would you be willing to do if we put together, perhaps, a chart that explained to a business how to get started?" right? So I always think, "How do we make this simple?"

And so we started to talk about them helping put together a chart, so that we could-- I said, "If we did this and you thought this was a great chart, would you be willing to hand it out to everyone who walks in, and say, 'This is what you have to do in order to get through the process'?" I said, "Then at least they're not starting from scratch."

ASSEMBLYWOMAN SUMTER: Right, right.

MS. WILLOUGHBY: Because the construction code officials actually felt that every single business, all these little tiny businesses, are hiring lawyers, and consultants, and-- I said, "They don't have the money."

ASSEMBLYWOMAN SUMTER: Right; off a text.

MS. WILLOUGHBY: I said, "Really, they don't have the money, but they really want to get started. And you are a government official who should be customer service friendly to businesses, too."

Well, I could have been talking to the whatever. But needless to say, we are willing, as the Business Action Center, to work to try to help change that dynamic on customer service when it comes to municipalities. And I will tell you that there are some municipalities, when a small business says, "I'm thinking of going there," we say, "No, don't do it. You're going to have so much aggravation that you're just not going to want to do it. But there are others that will welcome you with open arms. So why don't you go there?"

ASSEMBLYWOMAN SUMTER: So-- Go ahead, go ahead, Assemblywoman.

ASSEMBLYWOMAN CHAPARRO: Okay, so as a legislator, I have certain municipalities. And I don't have a lot of municipalities; some legislators have way too many, but I have four. And if municipalities are being very -- they don't care, or they just have too much on their plates, they don't even want to start up, how do I, as a legislator, promote a business? Or can I, as a legislator, go into our local chamber of commerce and just say, "Hey, here's a chart, here's a chart, let's just go"?

MS. WILLOUGHBY: Yes, that's right.

ASSEMBLYWOMAN CHAPARRO: And the more they know, they don't need--

MS. WILLOUGHBY: That's right.

And I will come; you tell me when you want me to be there--

ASSEMBLYWOMAN CHAPARRO: What are you doing tomorrow? (laughter)

MS. WILLOUGHBY: Okay, fine; all right, I think I'm good.

Yes, I am happy to come out and talk with your local officials and to talk to them about how we can work on this together. "What do you need from us, as a State agency that wants to be business-friendly, to the best of your ability, with all that you have on your plate? I understand that. But what can we do to help you?" Which is how we came up this idea of this chart to help walk the businesses through what they have to do.

So if you know that we need to put together another how-to manual--

ASSEMBLYWOMAN CHAPARRO: Right.

MS. WILLOUGHBY: --fine, I'll come and talk; absolutely.

ASSEMBLYWOMAN CHAPARRO: I need your card. (laughter)

ASSEMBLYWOMAN SUMTER: And one point, or question.

I wish all municipalities worked the same. (laughter)
Unfortunately, that's not that case.

ASSEMBLYWOMAN CHAPARRO: Right.

ASSEMBLYWOMAN SUMTER: So I think we, as a Committee, can consider some points of streamlining. Because another part of business frustration is, I go to the municipality; they want it this way, this

format. I go to the county; they also want me to register my business this way, with another fee, right? So we start getting nicked and dined. Then I have to go to the State, I have to pay another fee, and I have to submit documentation via postal mail.

So truly, if we could, probably, have another conversation, even offline--

MS. WILLOUGHBY: Sure.

ASSEMBLYWOMAN SUMTER: --on how to streamline and what we can do to make it a more systematic approach, versus all of these different portals with fees attached to it. And I know businesses have told me they'd rather have one flat fee, if that flat fee is going to be \$1,000 but it covers the permitting across the entities; versus, "Okay, I passed the State inspection; oh, wait, now I need a county inspection. Oh, wait, wait; now I need a municipal inspector," who's the same person, but has now switched to a municipal badge.

MS. WILLOUGHBY: Right, I totally understand, because we hear from those small businesses all the time about this. And so there are some things we can fix, and there are other things we can't. But if we can streamline things, we would love to be able to work with you to do that.

ASSEMBLYWOMAN SUMTER: So I know the entity has been around for 30 years, and I'm happy it has survived in different spaces and in different programs. But let's see if we can get a couple of things right--

MS. WILLOUGHBY: Yes.

ASSEMBLYWOMAN SUMTER: --in the next two. (laughter)

MS. WILLOUGHBY: Absolutely; I am here. And I'm very excited about this job, because it's a dream come true to really help the small businesses.

ASSEMBLYWOMAN SUMTER: Thank you, thank you.

Anyone have anything else?

ASSEMBLYWOMAN TIMBERLAKE: Thank you for your work.

ASSEMBLYWOMAN SUMTER: Thank you.

So please make sure they have your contact information.

MS. WILLOUGHBY: Absolutely; I will--

ASSEMBLYWOMAN SUMTER: If you want to leave the 1-800 number for us--

ASSEMBLYWOMAN TIMBERLAKE: I want every card and chart you have. (laughter)

ASSEMBLYWOMAN CHAPARRO: Yes.

MS. WILLOUGHBY: I will do that; I will make sure you all have that.

ASSEMBLYWOMAN SUMTER: Mike Egenton, New Jersey Chamber of Commerce, who is also going to provide testimony for us from the African American Chamber of Commerce.

Thank you so much, Melanie.

M I C H A E L A. E G E N T O N: Good morning, Madam Chair.

ASSEMBLYWOMAN SUMTER: Good morning.

MR. EGENTON: Mike Egenton; I'm the Executive Vice President of the New Jersey State Chamber of Commerce.

Always a pleasure to do follow up with Melanie Willoughby. She brings such enthusiasm and everything, you know? (laughter)

Before I read-- John Harmon, the President of the African American Chamber, could not be present. He's also on my Board of Directors at the State Chamber. He's out in Kansas City, Missouri, attending a conference on diversity and inclusion.

But I think many of you know John; he's very passionate about a lot of these issues, so I'll read his testimony. I'll highlight a couple things; I won't read the whole thing. I have the written comments, and I'll hand it in for the record.

But before I do that, let me just say Melanie's right that the State Chamber has been doing these road shows. I think we started it during -- when Kim Guadagno was around; and going to the local regional chambers of commerce and coordinating with them, and trying to get the word out that-- We always joke around the table about, "I'm from Trenton; I'm here to help." But we try to bring those, sort of, resources that Melanie talked about, and EDA and some of the other agencies, out to the various chambers so that way the business people can come. And it's set up in such a way -- they can go to the different tables, whether it's the Department of Transportation, or Department of Labor, or DCA, or what have you -- that they can talk, one-on-one.

Because the most frustrating thing that we always hear is calling a number and it's computerized, or you get moved around into the bureaucratic system. One thing I used to admire about -- when Kim Guadagno was the head of the Business Action Center, she used to give out her cell phone number. I remember the first time she did that; I tested it,

and she saw me across the room and she answered it, and she said, “What, were you testing me?” (laughter) And I said, “Yes, I was. I want to make sure that if somebody’s really calling you, you would respond.”

The other great line that she always had was, “I’ll get you an answer, because time is money and time is of the essence. It may not be the answer you want to hear, but at least I’ll get you a ‘yes’ or ‘no’ answer.”

The other thing I was going to say -- there has been a litany of bills, Madam Chair, that you know-- You talked about the Film Tax Credit; we were very supportive of that. There have been a number of bills that we’ve been supportive of in the last legislative session, and we’ve highlighted a number of them, going forward, in this session, including outreach and training for minority and women in the construction industry; a bill requiring the Commissioner of Labor and Workforce Development to establish apprenticeship mentoring programs for women, and minorities, and persons with disabilities; and on and on. So that will always continue, because we see the benefit of doing that.

Before I read Mr. Harmon’s testimony in for the record, I did want to say, as you all know right now, we’re sort of in *limbo*, I’ll call it; we have no incentive program. And that is, in my opinion, on behalf of the State Chamber of Commerce, damaging to our economic development retention and attraction. We’re sort of like a boat out in the ocean, and we’re dead out in the ocean, waiting for the next thing to happen. I know we hear that there’s ongoing negotiations between the Administration and legislative leaders. I know you’ve probably all heard my boss, Tom Bracken, the President of the Chamber, say, and I’ll reiterate this, that while the past incentive programs primarily looked at the larger companies, please keep in

mind and remember the State Chamber -- I would say we're very diverse in our membership. We do have the Fortune 500, but we have the mom-and-pops as well.

And I can honestly look at you all and tell you that I think past incentive programs focused on the higher end; probably rightfully so. Because after the economy took a dip in 2008 and 2009 -- and I worked very hard on the Economic Opportunity Act with the major sponsors -- I'm happy to see that we did look at the focus of turning that incentive program towards South Jersey as well.

I'm a South Jersey resident; I've seen firsthand what it can do for the City of Camden. We had a Board meeting at New Jersey American Water; a beautiful facility, great location. You can see the change happening there.

The one thing I will say, as we continue these discussions on the incentive programs, is we need to get it down to the middle market, small business person as well. I don't have the magic elixir as to -- you're all hearing today some ideas and suggestions.

And as I said, I'll read, very quickly, into the record some of John Harmon's highlights. But somehow we do have to incorporate that in there, because they are the lifeblood of the economy of New Jersey, and they're very important.

So I leave you with that -- those ongoing discussions. And hopefully, we can get something up and running before the budget is signed by the end of June.

So with that, let me-- And I will hand in his written comments.

The following is John Harmon, the President of the African American Chamber of Commerce. And as I said, he's also on my Board of Directors.

These thoughts are based on his "experience as a Chamber Executive for 23 years in New Jersey; from the regional and national best practices, as well as comments from members and black businesses, more broadly, about their experiences while pursuing primary positions or equitable contract awards on professional services, construction, general goods and services that are procured by the State of New Jersey."

In his comments, John said, "The irony is, notwithstanding the capacity and requisite experience of black businesses, these firms have communicated" to John "that New Jersey has been a continuous outlier when it comes to fairness and equitable participation in public contracts. For example, beginning with the implementation of Executive Order No. 1 by former Governor Jim McGreevey, wherein he established Project Labor Agreements on all public contracts. This Executive Order was later amended to exempt public contracts of less than \$5 million from the Project Labor Agreements."

In Mr. Harmon's opinion, "The Project Labor Agreements have afforded trade unions a unique contracting preference, while blacks and others have to wait for the commissioning of disparity studies to justify the implementation of procurement goals that could incentivize increased access to public contracting opportunities. These best practices have long been adopted by the state of New York and the City of Philadelphia as a standard business practice." Moreover, Mr. Harmon would "submit to you that the

aforementioned policy has contributed to a public contracting culture within New Jersey that has not been fair or equitable to the black businesses.”

In his opinion, “The preference that has been extended to the trades in public contracting undermines our adopted system of capitalism and free enterprise in this country. Moreover, the trades in New Jersey speak about inclusion; however, they have a systematic culture with inherent barriers that make it extremely difficult for blacks and others to participate equitably, which is just wrong given that these opportunities are underwritten with taxpayer dollars. There needs to be a serious engagement with the responsible parties to begin the process of mitigating this inequitable practice in our state.”

Based on the aforementioned, John has proposed the following policy changes and recommendations.

“Amend the 60-year-old requirement in New Jersey which states that you must be a Registered Municipal Accountant to perform audits for municipalities. Currently, only two to three individuals pass the annual exam, thus providing a monopolistic opportunity for a few firms, while imposing a barrier for a number of qualified CPA firms that have offices within communities where these professional services opportunities occur.

“Could the previous disparity study that was commissioned by the Port Authority of New York and New Jersey, and Essex County, and others be amended to support the State’s efforts to establish women and minority procurement goals as a means to expedite the process? This is a critically important measure that would incentivize inclusion in public contracting.”

His next recommendation, “Provide the Chief Diversity Officer with an adequate budget, such that there will be adequate resources for staff and infrastructure, to implement and execute an effective operation.”

Next, “Raise the Project Labor Agreement threshold from \$5 million to \$20 million. This would immediately increase public contracting opportunities for blacks -- Executive Order, similar to former Governor McGreevey’s.

“Implement a process to ensure that RFPs on all public contracts are reviewed to ensure that they are inclusive and do not contain inherent barriers that are not commensurate with the scope of work.”

Next, “Review of the State Vendor Contract which provides opportunities for K through 12, higher education, and municipalities. The program grossly lacks diversity and inclusion of black businesses.”

Next, “Increase the spend level of goods and services which do not require a formal bid from \$40,000 to \$250,000 for State agencies and departments.

Now, this was an update. John had this recommendation, but I know this bill, Madam Chair, is up, as we speak, in Senate State Government Committee right now; and it’s Senator Pennacchio’s Bill, Senate 300. And “that requires all State agencies and educational institutions to report contract spending with minorities and women.” Mr. Harmon goes on to say, “This lends the question, ‘How can you manage what you do not measure?’

“New Jersey should have a system of reporting public contracting expenditures in real time, not after the project has been completed and the consulting or contracting firms have spent taxpayer dollars and left town. Without this system in place, we’re not upholding our fiduciary obligation.”

Madam Chair, I'll stop there; and as I said, I'll hand in John's -- the rest of his testimony.

But as you know, I have a great respect for Mr. Harmon and have worked with him on a number of these initiatives over the years.

ASSEMBLYWOMAN SUMTER: Thank you.

MR. EGENTON: I thought it was important, since he was out of town, to deliver some of his suggested recommendations.

ASSEMBLYWOMAN SUMTER: We truly appreciate it; thank you.

MR. EGENTON: Thank you.

ASSEMBLYWOMAN SUMTER: Next, we will hear from Christine Buteas; I don't know if she's still here.

Christopher? Okay; and you're from NJBIA?

CHRISTOPHER EMIGHOLZ: Yes.

ASSEMBLYWOMAN SUMTER: Okay, awesome.

MR. EMIGHOLZ: Good morning.

My name is Chris Emigholz; I'm the Vice President of Government Affairs for NJBIA. I handle tax and economic development issues for them.

Thank you very much, Chairwoman Sumter, Vice Chairwoman Timberlake, and this whole Committee, for inviting BIA to talk about this very important issue.

And I think to start I want to say, this issue and supporting minority-owned businesses is critical for addressing a lot of issues -- the wealth gap in our nation; but I think it's also an important issue for helping all businesses. And I think we need to think about that. The business

climate of New Jersey -- every business in the state benefits if we do a better job with this. And I think that, sometimes, gets overlooked.

I think BIA, in the testimony we've provided, sort of was thinking about this. And looking at this issue, we did a little bit of research and came up with a five strategic point plan to try to support minority businesses better than we do already.

But I think it's also-- There is some good news here. And I think we've heard that there are a lot of positives in New Jersey. But also, when you look back from 2012 to 2016, from numbers from the Small Business Administration, our small businesses, our minority-owned businesses are growing more than our neighbors. We actually are seeing 28 percent growth in the early 2010s, and that's more than our neighbors; and, actually, in absolute number -- of 60,000 jobs and businesses -- and also in the percentage, it's bigger than Pennsylvania and New York.

So there's something going on that's good in New Jersey, and we have to keep that up. But then when we also dive in, we see research that there are more closures -- that we're growing faster in minority-owned businesses, but there's also more closures, and more difficulties, and more impediments in minority-owned businesses.

So how do we address those issues? So I think BIA sort of looks at it that, number one -- and we've heard this loud and clear from a lot of people this morning -- is, we need more data. We were struck, as we dove into this issue a little bit, nationally and in New Jersey, there's not a lot of information out there. And I think John Harmon said it great, from Mike Egerton, that you can't fix what you don't know. And if we don't measure it, we're not going to get better at it.

So I think we need to get more into it. We would align ourselves with S-300 that Mike talked about, in Senate State Government this morning. That's a good Bill. There have been a lot of good bills with initiatives on data, but we need better data. It's on the procurement side, but it's also on what businesses exist, and going through the census, and going through the BIA data and Labor data. We need to know what's out there, and what's going well, and what's not going well. We need to know -- it's not a great term in businesses, but we call them *births and deaths* of businesses. But we don't necessarily know the birth or death number for-- Sometimes we struggle with all businesses to get good data on that; but especially with minority-owned businesses. Is it much worse? There's some data, I guess, anecdotally showing that it's much worse; but we want to know that. And if it is a problem, we have to address that.

The second big part, I think -- and this is something that's common for the business climate for the whole state -- is, we have to work on workforce development, and we need to improve the talent in New Jersey.

And we hear-- One of the top issues we hear from businesses around the state is, we have a hard time finding good people. And part of that is a good thing, because unemployment is low and a lot of people have jobs right now. Not everybody's looking, so it's a good thing that maybe you're not finding all your people, and it's a good thing that there are jobs to be found if you are good. But we have to improve the skill level of New Jersey's workforce. And that's the current workforce, the future workforce. So part of that is on-the-job training.

I think we're glad to see the Murphy Administration is investing in workforce training, and the good work the Department of Labor is doing.

Part of that is K to 12; we need to have a better pipeline of people coming into the system. If people have skills--

ASSEMBLYWOMAN SUMTER: But we're number one for education in the country.

MR. EMIGHOLZ: We are number one for education; we're also one of the worst in the education gap.

And I'd like to point out I think that the wealth gap and education gap are often correlated. And I think New Jersey has a lot of very good things going on in our public schools; we also have some things where we're not doing as well as we should.

ASSEMBLYWOMAN SUMTER: I just wanted to hear you say it; (laughter) thank you.

MR. EMIGHOLZ: No, that's an excellent point, and thank you, Chairwoman. I think there's a lot to be proud of, but there's also things that we need to work on. And whether that's offering more choices to students in the STEM-vocational world; but if we give students the skills, they're going to be, in their 20s and 30s, more likely to be thinking about opening up their own business. And we have to be sure those skills are getting to-- We talked about the former Abbott school districts; that's 25 percent of the students in the state. That's 25 percent of the future workforce. And if those schools are not succeeding, then New Jersey's future workforce is not going to be what it should be.

So we need to think about our schools globally across all 500-some-odd districts, not just the ones that have succeeded always. Because I think sometimes the averages get deceiving when we just look at New Jersey

as a whole. Because we need to focus on where we're seeing the achievement gap; and the achievement gap is real, unfortunately.

In workforce development, too, we see financial literacy as a big part of that. And that's financial literacy for students; but there's also a bill up today -- A-3062 is sponsored by Assemblywoman Pintor Marin, for financial literacy, actually, for adults; to go into cities to improve their financial literacy. And if we're doing a better job with financial literacy, everybody understands how to navigate the financial institutions that are out there for them, I think more people will be open to starting a business, or understand how to navigate some of those things that we've all heard today are difficult to navigate. So financial literacy is an important part of that workforce development.

The third point I would like to point out is tax incentives, and the good work of the EDA.

There are fantastic parts of Governor Murphy's tax incentive plan that he has sent to the Legislature. There are great parts from what we've seen from Speaker Coughlin and Assemblywoman Pintor Marin; and the Lesniak-Kyrillos bill floating out there; and Chairman Smith's task force on tax incentives has just released a report recently.

There are lots and lots of good elements in all of that; and BIA's big point is, we have to get something done. Because tax incentives -- we've focused on a lot of lower income, urban areas in New Jersey. That's a good thing, and if we don't have a robust program focusing on the areas where economic development is needed, then we're not driving capital to those areas. And access to capital -- and we've heard about this from some of the stats earlier this morning -- access to capital is an issue for people who want

to start their own business. And it's a special issue, I think, in some minority communities where, historically, they don't have that capital. And we have to figure out how to get that capital there so that people with great ideas who are smart, and willing, and want to do this, and then can learn how to navigate the system, they now have access to capital.

So tax incentives-- I would guess that what's going on in Camden has helped a lot of minority-owned businesses in Camden, or that area. Because even if-- We have to do a better job at getting small and middle-sized businesses access to capital; but even if you're creating a giant American Water beautiful office on the waterfront, them being there is going to help these smaller businesses in the Camden area access, whether they're-- All the services that that American Water facility needs are going to benefit the rest of the City of Camden.

ASSEMBLYWOMAN SUMTER: Chris, do you have any data on any out-migration of businesses because we do not have a tax incentive program in place?

MR. EMIGHOLZ: Unfortunately-- That's a fantastic question, Chairwoman; thank you

Unfortunately, we don't have data on that real time. We keep seeing all of the data that does come out on out-migration, whether it's out-migration of wealth; businesses that are starting. Businesses are growing in New Jersey; we have more businesses today than we did years ago. But our business growth of the births of new businesses, and deaths, and that -- what's that plus-minus, where growth is not as strong as our neighbors in our region. And there could be a lot of reasons for that; I would think that part of it is we don't have-- This is about, probably, a year-and-a-half old, I think the

most recent data, on the births and deaths. But we're an expensive, difficult state to do business; and I think more so than maybe some of the states in our region like Pennsylvania, and Delaware. And New York has some high costs as well, but there are other things we heard today that New York does well, especially on minority-owned businesses.

So I think tax incentives; financial support is a big one.

The fourth one I'd like to point out is, as businesses, we need to do a better job to embrace diversity and inclusion. I wanted to point out -- BIA just launched a new Diversity and Inclusion Council. This is a priority for the Association, as it is for a lot of chambers and business groups around the state.

Diversity and inclusion makes all businesses better. And I think it's a business model that succeeds, it's a business model that-- If we have respectful workplaces for everybody from whatever diverse backgrounds, they're going to benefit. And if we have more backgrounds that value diversity and inclusion, we're then going to see, maybe, more businesses that might have minority owners. And then if we have that, the minority owners are probably more likely to value diversity and inclusion. So it creates a cycle where I think we're going to be better off, and diversity and inclusion will be more valued.

So I think valuing that -- and BIA has created this Council, and any thoughts you have on how to make this Council succeed, and work, and how do we help get those owners the best, we'd love to hear from you.

And the last thing I'd like to say is -- as I said, New Jersey is a hard place to do business sometimes. And if it's an expensive state, I would like to think-- Those expenses, those high taxes, those high costs of labor

might impact businesses that have historically lacked access to capital more so. And so I think if we lower the cost of doing business, I would guess that we are going to benefit minority-owned businesses, and businesses from communities that always haven't succeeded in creating businesses, more so than other business.

And then we talked about procurement, we talked about navigating regulations. If we make New Jersey easier to navigate, easier to figure out, I would think it's going to benefit those minority-owned businesses that, maybe, haven't historically had as many people to mentor them, and help them, and support them through that difficult navigation as much as possible.

So if we do the things that the BIA, the State Chamber, the EDA, and the Business Action Center have been working on for years, benefiting all businesses, I think the minority-owned businesses will see even a bigger boost from those efforts of helping the business community.

So I think that's important. So I think any time we're talking about the cost of doing business, any time were talking about a new mandate, I think those are going to hurt all businesses, especially those minority-owned businesses that we want to lift up.

ASSEMBLYWOMAN SUMTER: Great.

MR. EMIGHOLZ: So those are our five strategies I think will make a difference; and we look forward to working with this Committee, working with all of you on how we support those minority-owned businesses throughout the State.

ASSEMBLYWOMAN SUMTER: Great, thank you.

Any questions? (no response)

MR. EMIGHOLZ: Thank you.

ASSEMBLYWOMAN TIMBERLAKE: Thank you for your work.

ASSEMBLYWOMAN SUMTER: Thank you very much; thank you.

So members, we will-- I hope you found some insight from the different entities that are working on this issue. It was paramount for our Committee; and what our homework and our assignment is, is really to create pathways for businesses to thrive in the State of New Jersey. Focus on small and mid-sized to upscale those downtowns, Main Streets is important. Our procurement process, which we've heard -- our system is antiquated and has a lot of room for improvement. But we do have some building blocks that we can enhance.

So I'll look to put together some pieces of legislation, which I hope you all will do the same. And then, at our next convening, hopefully we can start sending some pieces to the full body to work on that will impact all of our areas.

Fair enough? (affirmative responses)

All right, great.

ASSEMBLYWOMAN TIMBERLAKE: Thank you, Madam Chair.

ASSEMBLYWOMAN SUMTER: With that, I'm going to say, "meeting adjourned."

(MEETING CONCLUDED)