

APPENDIX

**TESTIMONY OF BRANDON McKOY, PRESIDENT, NJ POLICY PERSPECTIVE,
ON A-4730 & A-5343 BEFORE THE ASSEMBLY COMMERCE & ECONOMIC
DEVELOPMENT COMMITTEE, JUNE 13, 2019**

Good morning Chairman Johnson and members of the committee. My name is Brandon McKoy and I am the President of New Jersey Policy Perspective. I appreciate this opportunity to testify on this very important issue.

New Jersey Policy Perspective has researched and analyzed the state's economic development programs for over twenty years. We closely monitor the tax credits awarded by the state Economic Development Authority, how many jobs created and maintained the state gets in return, and we regularly compare New Jersey's corporate subsidy programs — and the laws that guide them — against those in other states across the nation.

These decades of research and analysis bring us to a simple conclusion: New Jersey's economic development programs have been improperly designed, poorly measured, and insufficiently examined since the implementation of the 2013 Economic Opportunity Act, which I will heretofore refer to as the 2013 EOA. While the Economic Development Authority in and of itself is not a problematic entity, the legislation guiding its operations leaves much to be desired.

Since the passage of the 2013 EOA, New Jersey's corporate tax subsidies have risen to unprecedented levels, with an enormous financial reward to very few corporations and an enormous cost to Garden State taxpayers. New Jersey is now a national outlier for how much it spends on corporate subsidies and how little it receives as a return on investment. But it doesn't have to be this way. As the current laws guiding the state's corporate subsidy programs are set to expire on June 30, this legislative body has an incredible opportunity to revamp the state's approach to economic development so it benefits businesses, their workers, and taxpayers alike.

The purported goals of the legislation being considered today may have good intentions, but they lack the critical reforms necessary to get New Jersey's economic development strategy back on track. It is NJPP's position that the extensive flaws in the 2013 EOA must be addressed before any consideration of extending these programs.

While bill A4730 would slightly improve eligibility requirements for the Grow New Jersey Assistance Program, it lacks key reforms that would reel in an out-of-control corporate tax subsidy initiative. It contains no annual spending caps, no mandated reporting to verify outcomes, no recurring evaluation process, no annual forecasting or multi-year cost projections, and no labor protections. In fact, this legislation rewards corporations that hire contract workers.

Meanwhile, A5343 would simply extend the existing program to January 31, 2020. For a program with well-documented flaws that is projected to rob the state budget over \$1 billion in revenue annually for the foreseeable future, this makes little sense. Rational and attainable fixes

have been suggested time and time again to this legislature, both by NJPP and national experts, and yet they remain conspicuously absent from both of these proposals.

Before considering extensions, we must recognize that these programs have not produced results as intended. The cost to the state remains too great, and the means to verify impact remain insufficient.

Before 2013, New Jersey's corporate subsidy spending was in line with the national average, at about \$16,000 per job created or maintained. Since the passage of the 2013 EOA, the state has awarded enormous corporate subsidies that are more than five times the national average. In return, the state has received little verifiable performance or uptick in jobs, development, and economic growth. Simply put, rather than being another tool in the toolbox of economic development, corporate tax subsidies became *the* economic development strategy of New Jersey.

For years, NJPP has raised the alarm about the enormous cost of these programs to our state, at a time when New Jersey can least afford to gamble away future tax revenue. These bills proposed today do not sufficiently assuage the concerns we have documented.

And you don't have to just take my word for it. Other than the findings of multiple reviews and analyses by other independent actors, the Fiscal Impact Statement that accompanied the final version of the 2013 EOA clearly states that the loss of revenue to the state's Treasury, due to credit redemptions, would be enormous. It also says that the levels of Corporate Business Tax uncertainty and losses, even with implied increased local spending and jobs development, could be substantial and result in a decade of direct business tax revenue reductions and losses. While some would like to deny the reality, those warnings have come to fruition.

Without implementing annual spending caps for awards, shorter term lengths for awards, penalties for bad actors and known tax dodgers, wage protections for workers, and nationally recognized best practices for assessment and review, New Jersey Policy Perspective cannot support these bills as currently constructed.

I understand that this body and the legislature are on a short time line with regard to the sunset of the 2013 EOA, but NJPP and others have been commenting on these issues to lawmakers for years. None of this should come as a surprise to anyone.

Given the scope and cost of New Jersey's corporate subsidies, the laws guiding the Economic Development Authority will be among the most consequential pieces of legislation passed this session. Passage of any extension without the inclusion of critically necessary reforms leaves the state extremely vulnerable to uncertain and insufficient economic outcomes.

This presents you an incredible opportunity to fix the problems with New Jersey's existing corporate subsidy programs and ensure future economic development benefits all New Jerseyans — business owners, their workers, local communities, and taxpayers alike.

Thank you again for this opportunity to testify. I look forward to working with you all as New Jersey revamps its approach to economic development.

DEBUNKING MYTHS SURROUNDING THE GROW NJ INCENTIVE PROGRAM

- **The Office of the State Comptroller's (OSC) report was mainly critical of the GrowNJ program.**

FALSE: Seventy percent of the OSC's criticisms of NJEDA's incentive programs are aimed at programs that are *no longer active*—namely, BEIP, BRRAG and UTHTC. Moreover, 88% of the jobs that OSC found lacking in corroboration by NJEDA pertain to these inactive programs, not GrowNJ.

- **The State of NJ has doled out \$11 Billion in incentive dollars under the GrowNJ program.**

FALSE: The State has actually paid out only \$232 Million of the \$5.7 Billion in tax credit incentives that have been "awarded" to businesses under GrowNJ (the remaining \$5.3 Billion pertains to the *inactive* programs referenced above). The total amount of tax credits actually paid out is far lower than the total amount *awarded* to companies specifically because, contrary to the myths floating about, companies have to first complete their projects (which can take two or three years after the date of the award) and then must *earn* their incentives over time -- proving annually, by way of detailed employee logs and other data required to be furnished to NJEDA, that jobs have been created and maintained (in the case of new jobs) and retained and maintained (in the case of existing jobs). Another reason the total pay-out to companies may never reach the aggregate award amount is the fact that some companies ultimately decline the award and choose another state for their location; this has been especially true where another state is not only a lower-cost place to do business (most are) but also has a financial incentive program of its own (many do—including the low-cost states surrounding NJ). Additionally, EDA will terminate its approval when a company fails to implement the project as approved. \$861 Million of Grow NJ awards have already been withdrawn (leaving \$4.9 Billion in "awards" available for companies that meet their approved project commitments).

- **Companies have received incentive dollars without upholding their end of the bargain on job creation and retention.**

FALSE: Companies do not receive a single dollar of tax credits under GrowNJ until they have first completed their project and opened for business at the facility and provided proof that: (1) at least 80% of the promised jobs are in place, (2) at least 80% of the projected capital expenditure has been incurred on the project, (3) prevailing wages have been paid and affirmative action has been met on all construction work on the project, and (4) required green building design features have been incorporated into the project. If either 80% hurdle is not met, NJEDA may re-run the project's "net benefit test" (explained below) and reduce the amount of the GrowNJ award.

- **There are no reprisals if companies fail to meet their employment commitments.**

FALSE: As noted above, the 10-year pay-out of tax credits does not even begin until a company first satisfies a number of requirements, including reaching at least 80% of the promised number of jobs. If the *actual* number of jobs at the project in that first year are less

than 100% of the *promised* number of jobs, the award for that year and all nine remaining pay-out years is capped at such lower headcount number; there is no going back up. Thereafter, if the average monthly number of jobs in any of the nine remaining years decreases even more, the tax credit amount for the year in question is further reduced. In fact, if the number of jobs at the project in any of the nine remaining years decreases by 20% or more, that year's tax credit amount is *forfeited* by the company. Moreover, companies must remain in NJ and maintain the jobs for 15 years (an extra five years); if the number of jobs in any of those years 11-15 decreases, NJEDA can "claw-back" an amount from the company pursuant to a strict formula.

- **A company can simply move jobs around the state from one of their facilities to another without recourse.**

FALSE: If a GrowNJ recipient operates more than one facility in NJ, it is subject to scrutiny of its *statewide* headcount in addition to the scrutiny of its headcount at the GrowNJ facility as explained above. In that regard, if a company's aggregate number of jobs *statewide* decreases by 20% or more in a given year, its GrowNJ tax credit amount will be *forfeited* for that year.

- **Any company can simply threaten to leave NJ and thereby qualify for a GrowNJ award.**

FALSE: To be eligible for a GrowNJ incentive, a company must demonstrate – by words and numbers – that it is at risk of leaving NJ. This process is known as the "material factor" or "but for" test. For starters, the company's CEO must certify under oath, under penalty of perjury, that the GrowNJ award is a material factor in the company's site selection process. In addition, any lease or contract for the project must be expressly conditioned on the GrowNJ award; if the company takes any action prior to NJEDA's grant of a GrowNJ award that would indicate its decision to remain in NJ regardless of the outcome, the company is deemed ineligible for the incentive. Further, the GrowNJ application includes a "Comparative Benefit Analysis" – essentially, a side by side comparison of the 15-year projected cost of operating the proposed NJ facility versus a comparable facility at an out-of-state location also under consideration. These costs must be supported "to the penny" by hard evidence of each cost item (such as base rent, property taxes and utilities). Sadly for NJ, most cost comparisons against the competitor-states all around us demonstrate that NJ is the higher cost state by far. *(It should be noted that the Smart Growth Economic Development Coalition recommends a legislative fix that caps the award amount determined by the GrowNJ formula at the amount of the 15-year demonstrated cost-gap between the two states' sites under consideration. A similar concept exists in the program today but is only triggered if the aggregate award amount exceeds \$40 Million; the Coalition suggests reducing that threshold substantially.)*

- **Existing NJ companies are awarded GrowNJ incentives simply for relocating their facilities from one location to another.**

FALSE: The explanation immediately above makes plain that an existing NJ company cannot simply threaten to leave the state to receive a GrowNJ award. And beyond the "but for" and "net benefit" tests, there is a "skin in the game" requirement: companies seeking a GrowNJ award must spend a substantial amount of money on fresh capital investment in terms of construction,

machinery, equipment, and furnishings. Further, construction work at the project must be done in compliance with costly requirements—use of prevailing wage labor and implementation of green building design features.

- **There is no evaluation by NJEDA of whether the State of NJ is receiving a “dividend” on its GrowNJ investment.**

FALSE: The enabling statute requires NJEDA, before granting a GrowNJ award, to determine that the project will return a “positive net benefit” to the State. NJEDA has adopted a stringent standard -- known as the “net benefit test” -- to make that determination; in essence, the applicant must project to the satisfaction of NJEDA that over a 20 year period the project will yield a 110% return on the GrowNJ award amount in terms of new state tax revenue. Not a bad exchange rate—100 cents out over 10 years and at least 110 cents back to the State Treasury over 20 years! And that’s not counting *local* taxes generated or the “multiplier effect” of the spending generated during the work day by employees, or from the purchase of homes and rental of apartments by incoming residents, etc. *(It is true that, with a few exceptions, NJEDA does not “look-back” and verify the actual net benefit realized by the State, nor does NJEDA reduce a GrowNJ award amount if the net benefit projections by the applicant come up short. The Smart Growth Economic Development Coalition recommends a legislative fix that imposes a look-back mechanism in the program and reduces the net benefit payback period from 20 years to 15 or 10 years.)*

- **A recently enacted law exempts companies who receive GrowNJ awards from paying taxes on those amounts.**

FALSE: First, some background on this subject: GrowNJ tax credits are only usable against corporate business taxes (CBT). Only “C” corporations—usually large public companies—pay CBT. Small and mid-sized companies, on the other hand, usually are pass-through entities (S corporations, LLCs, partnerships, etc.) that do not pay CBT. As a result, these companies must *sell* their tax credits. Tax credits typically sell for around 92 cents on the dollar. If that were not bad enough, the sale proceeds are treated as ordinary income for federal tax purposes (reducing the net value of credits even more). And before the recent change in state law, the State of NJ piled on with its own income tax levy! So the “tax exemption” portrayed by this myth actually corrected the perverse act of the State Treasury issuing tax credits with one hand and immediately snatching back a dime or so on every dollar as an “income” tax.

- **The GrowNJ program rewards existing jobs that would remain here anyway.**

FALSE: Recall first that an existing company threatening to leave the state must satisfy the “but for” test, the “net benefit” test and the “skin in the game” requirement described above to be eligible for a GrowNJ award. But that’s just the beginning. Under the program formula, an *existing* job garners only *half* the amount of money that is awarded on a *new* position. Moreover, if the company spends only a minimal amount on capital investment (closer to the applicable program minimum amount), the per job award amount on existing jobs is further reduced pursuant to a strict formula.

➤ **The GrowNJ program does not favor high-paying jobs.**

FALSE: It is true that *both* unskilled and skilled jobs are rewarded under the GrowNJ program. After all, NJ needs blue collar jobs, too. But unskilled and skilled jobs are not rewarded equally under the program. Rather, there are controls built into the program formula that *limit* the award amount payable on *low-paying* jobs and, conversely, that *increase* the award amount payable on *high-paying* jobs. Specifically, if jobs are proposed for a facility located outside of a distressed municipality, the total annual award amount under the program formula is capped at 90% of the employer's state withholding tax contribution. This cap has had the effect of reducing the amount payable on low-paying jobs by one-half to two-thirds of the award amount otherwise payable under the program formula. (*We pause to note that the Smart Growth Economic Development Coalition recommends a legislative fix that would apply this cap to all municipalities, though perhaps at 100% of the employer's state withholding tax contribution in the case of distressed municipalities.*) Further, to encourage the retention and attraction of high-salary jobs, there is a per job bonus under the GrowNJ program for every 35% the company's annual median salary exceeds the host county's median salary.

➤ **The GrowNJ program has done nothing to promote important public policy objectives.**

FALSE: To the contrary, the GrowNJ bonus structure has motivated companies to select locations and make other facility decisions that further important state policy goals. For example:

- A "transit oriented development" bonus has influenced a number of companies to select a facility located within walking distance of a commuter bus, train or ferry terminal.
- A "large empty office building" bonus has single-handedly helped bring back to life stranded assets such as the former Bell Labs facility in Holmdel (now known as BellWorks), which is home to two of *Inc.* magazine's "Fast Fifty" tech companies as a direct result of GrowNJ (iCIMS and WorkWave), and the former HoffmanLaRoche facility in Clifton/Nutley (now known as ON3), which is home to GrowNJ recipients Modern Meadow, Ralph Lauren and Quest.
- A "green building" bonus if the company goes beyond the minimum green building design requirements and achieves a LEED platinum certification.
- A "targeted industry" bonus if the company is in one of nine highly-desired industries including life sciences, technology and applied manufacturing.

➤ **GrowNJ is only for large companies; small businesses don't stand a chance.**

FALSE: When the GrowNJ program (originally enacted in 2008) was revised in 2013, the minimum job eligibility threshold was reduced from 200 jobs to as few as 10 jobs for tech startup and manufacturing companies, 25 jobs for "targeted industry" companies, and 35 jobs for all other businesses. (*In addition, there is an incubator and co-location or "WeWorks"-type*

feature in the program which the Smart Growth Economic Development Coalition contends is unworkable and deserves to be broken out into its own program.)

- **The City of Camden has received unnecessary, extraordinarily costly special treatment under the GrowNJ program.**

FALSE: There was once an advertising tag line used by Avis rental cars in its battle with Hertz, the top rental car company: "We try harder." The sheer reality is that Camden, in the darkest days of the Great Recession of 2008, needed extra help to get the attention of corporate site selectors. A decade and several GrowNJ projects later, a real estate submarket is emerging in Camden where none previously existed. *(As part of the reconsideration of the GrowNJ program, the Smart Growth Economic Development Coalition encourages members of the South Jersey legislative delegation to evaluate what sacrifices it can tolerate under the program formula without impeding the progress being made in the City of Camden as well as, for that matter, the other "Garden State Growth Zones" of Atlantic City, Trenton, Paterson and Passaic.)*

- **Even if the full \$4.9 Billion award amount is never redeemed by companies, whatever amount is ultimately paid-out is still a waste of the taxpayer's dollars.**

FALSE: Every NJ taxpayer should hope that our state will be fortunate enough to have to pay-out the full GrowNJ award amounts over the coming years. If you believe in the "but for" or "material factor" test – namely, that the in-state company applying for a GrowNJ incentive is at risk of leaving NJ and that the out-of-state company considering NJ would not otherwise consider our state – then the amount of incentive dollars awarded to these applicants is essentially "found money." And when one considers that the State of NJ is realizing a "dividend" of at least 110% on every dollar in tax credits paid-out, the deal becomes even better for taxpayers. Throw-in the program's limits on amounts awarded for existing jobs and for low-paying jobs, and the GrowNJ program is even more compelling. The OSC's criticisms of the GrowNJ program are tame in contrast to its knocks on the older, inactive incentive programs, but that doesn't mean that the OSC's suggestions should be disregarded. To the contrary, every recommendation ought to be given serious consideration in the full light of day.

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All data drawn from the published EDA "activity reports" for each program, through December 2018.

Table # 1: Approved Projects - All Job Creation Programs*

Program	Approved Projects	Retained Jobs	New Jobs	Credit Amount	Total Credit Amount Per Job
EOA Grow (active)	261	35,509	33,597	\$ 4,878,244,639	\$ 70,591
Legacy Grow (retired)	18	6,685	2,523	\$ 525,382,370	\$ 57,057
UTHC Commercial (retired)	11	N/A	2,481	\$ 751,551,372	\$ 302,923
TOTAL Before BEIP	290	42,194	38,601	\$ 6,155,178,381	\$ 76,183
BEIP (retired) **	454	N/A	80,988	\$ 1,535,813,245	\$ 18,963
TOTAL Job Creation Programs***	744	42,194	119,589	\$ 7,690,991,626	\$ 47,539

* This analysis excludes withdrawn projects. Projects were withdrawn either because EDA terminated approval due to failure to implement the approved plan or the project sponsor determined it was not feasible to complete as approved.

** The BEIP program is included in this analysis due to its inclusion in the recent Comptroller audit. However, it should be noted that BEIP initially consisted of cash grants subject to appropriations, on which the State went deeply into arrears. These grant arrangements have since been converted to tax credits stretched out over substantially longer periods. The actual number of "jobs created" under the BEIP program is higher than the number included in the approved applications shown in the Table #1 reflecting the fact many companies exceeded their projected new jobs at time of application.

*** This analysis includes only programs for which the legislative purpose was direct job creation and/or retention, and that had job requirements. Other programs (such as ResERGG and ResUTHC) were enacted for other purposes, such as to stimulate residential projects in targeted areas, and were not intended to create direct employment. Those programs have been included in Table #2 below.

Table # 2: Approved Projects - All Programs for Job Creation and Capital Investment*

Program	Approved Projects	Retained Jobs	New Jobs	Credit Amount	Total Credit Amount Per Job
EOA Grow (active)	261	35,509	33,597	\$ 4,878,244,639	\$ 70,591
Legacy Grow (retired)	18	6,685	2,523	\$ 525,382,370	\$ 57,057
UTHC Commercial (retired)	11	N/A	2,481	\$ 751,551,372	\$ 302,923
TOTAL Before BEIP	290	42,194	38,601	\$ 6,155,178,381	\$ 76,183
BEIP (retired)	454	N/A	80,988	\$ 1,535,813,245	\$ 18,963
TOTAL Job Creation Programs	744	42,194	119,589	\$ 7,690,991,626	\$ 47,539
UTHC Residential (retired) **	15	N/A	N/A	\$ 485,620,984	N/A
EOA Commercial (retired)	1	N/A	N/A	\$ 9,590,284	N/A
Legacy ERG (retired)***	16	N/A	N/A	\$ 551,640,889	N/A

ERG Commercial (retired) ***	10	N/A	N/A	\$	121,059,629	N/A
ERG Residential (retired) **	38	N/A	N/A	\$	645,674,313	N/A
ERG PIP (retired)	5	N/A	N/A	\$	22,000,000	N/A
ERG Mixed Use (retired)	3	N/A	N/A	\$	64,534,450	N/A
Total For All Programs	832	42,194	119,589	\$	9,591,112,175	\$ 59,284

* This analysis excludes withdrawn projects. Projects were withdrawn either because EDA terminated approval due to failure to implement the approved plan or the project sponsor determined it was not feasible to complete as approved.

** Programs such as ResERGG and ResLTHIC were enacted to stimulate residential projects in targeted areas, and were not intended to create direct employment. However, nonetheless this table also shows how the total tax credit amounts per job would be adjusted if these non-employment oriented programs are included in the calculation (tax credit amounts added but no jobs).

*** Notwithstanding that several programs weren't designed to induce direct jobs, they were projected to create substantial employment in connection with the developments supported by state funding. For example, Legacy ERG approved projects were projected to create over 20,000 jobs and Commercial ERG projects were projected to create over 1,000. Neither are counted here.

11x

Table # 3: EOA Grow NJ Conditionally Approved Projects*

Program	Approved Projects	Retained Jobs	New Jobs	Credit Amount	Net Benefit to State	Total Credit Amount Per Job
GSGZ (primarily Camden)	47	4,820	3,074	\$ 1,796,020,365	\$ 993,265,334	\$ 227,517
Mega Project	15	7,243	5,845	\$ 834,332,530	\$ 3,052,782,434	\$ 63,748
HUB	65	4,112	9,764	\$ 953,789,790	\$ 3,900,782,851	\$ 68,737
Distressed Municipality	71	5,619	7,677	\$ 684,929,370	\$ 1,604,916,877	\$ 51,514
Priority Area	61	13,097	6,680	\$ 538,527,934	\$ 5,024,908,502	\$ 27,230
GSGZ / Distressed Municipality**	1	248	352	\$ 37,955,450	\$ 3,796,453	\$ 63,259
HUB/Other Eligible Area**	1	370	205	\$ 32,689,200	\$ 3,900,782,851	\$ 56,851
Total	261	35,509	33,597	\$ 4,878,244,639	\$ 18,481,235,302	\$ 70,591

* This analysis excludes 91 withdrawn projects. Projects were withdrawn either because EDA terminated approval due to failure to implement the approved plan or the project sponsor determined it was not feasible to complete as approved.

** Net benefit data on approved Grow NJ projects from EDA through 1/29/2019.

*** These were single projects with multiple locations; each of these projects was eligible for credit amounts based on portion of project in each respective location.

Table # 4: All Certified or Completed Projects

Program	Certified Projects		Reported Jobs		Certified Credit Amount		Total Credit Amount Per New Job
	Retained	New	Retained	New	Credit Disbursements to Date	Subsequent Conditional Disbursements	
EOA Grow (active) *	62	10,901	8,454	10,901	\$ 225,174,194	\$ 1,306,820,800	\$ 79,152
Legacy Grow (retired)	10	1,476	2,471	1,476	\$ 74,924,000	\$ 262,076,000	\$ 85,381
UTHC Commercial (retired)	10	3,437	2,789	3,437	\$ 210,517,474	\$ 381,286,830	\$ 95,054
Total Before BEIP	82	15,814	13,714	15,814	\$ 510,615,668	\$ 1,950,183,630	\$ 83,338
BEIP (retired) **	N/A	117,082	N/A	117,082	\$ 1,509,490,678	\$ 26,322,567	\$ 13,117
Total Job Creation Programs	82	132,896	13,714	132,896	\$ 2,020,106,346	\$ 1,976,506,197	\$ 27,260
Other Programs							
ERG Commercial (retired) ***	10	N/A	N/A	N/A	\$ 17,833,958	\$ 64,026,364	N/A
UTHC Residential (retired)	11	N/A	N/A	N/A	\$ 319,447,637	\$ 51,077,722	N/A

12x

EOA Commercial (retired)	1	N/A	N/A	\$	875,512	\$	8,714,772	N/A
ERG Residential (retired)	18	N/A	N/A	\$	40,578,139	\$	228,693,217	N/A
ERG PIP (retired)	3	N/A	N/A	\$	15,000,000		N/A	N/A
Total Other Programs	43	N/A	N/A	\$	393,735,246	\$	352,512,075	N/A
Total	125	13,714	132,896	\$	2,413,841,592	\$	2,329,018,272	\$ 32,350

* Certified jobs and credit amounts from EDA Completed and Certified Incentive Projects report. Where project data is not reported for 2017, data from the prior year is used. For projects that report \$0 certified credit in 2017, it is assumed that the project has failed to meet EDA requirements; thus, neither jobs created nor future credit amounts for those projects are included, but credits already disbursed are included, although those credits might be subject to recapture. Total credit amount per job for certified projects excluding GSGZ is \$60,400.

*** Includes both Legacy ERG Commercial projects and EOA ERG Commercial projects. EDA did not track jobs created for projects under this program, as the program was intended to induce investment rather than create direct jobs, so no jobs are counted here. However, projects were projected to create a significant number of new jobs.

NJ Economic Development Incentives

Summary of Key Facts

Distributed by:

Smart Growth Economic Development Coalition

- International Council of Shopping Centers (ICSC)
- NAIOP New Jersey
- NJ Apartment Association (NJAA)
- NJ Builders Association (NJBA)
- NJ Business & Industry Association (NJBIA)
- NJ Laborers Union (NJ LECET)
- NJ State Chamber
- Operating Engineers Local 825

May 2018

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

NJ Economic Development Incentives: Key Facts

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

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

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

Fact: All NJ incentives are performance-based, earned only when companies deliver on job and investment commitments. 2

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

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

16x

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

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

- Of the 247 projects approved as of YE 2017, the vast majority were in NJ's Distressed Municipalities (including Camden)
- 71.3% of all approved projects are in Distressed Municipalities
 - These represent 84.5% of all tax credits to be earned by projects approved by EDA through YE 2017.

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

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

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

This program also has been transformative for Camden:

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

Fact: Grow NJ has focused primarily on the areas of greatest need, with most investment going to Distressed Municipalities.

Investments in Targeted Growth Industries

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

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

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

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

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

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

18x

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

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

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

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

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

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

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

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

Fact: Even though only 17.4% of approved projects have been completed thus far, they are responsible for more than 12,700 direct jobs. 6

Early results of Grow NJ investments, building over time

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

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

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

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

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

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

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

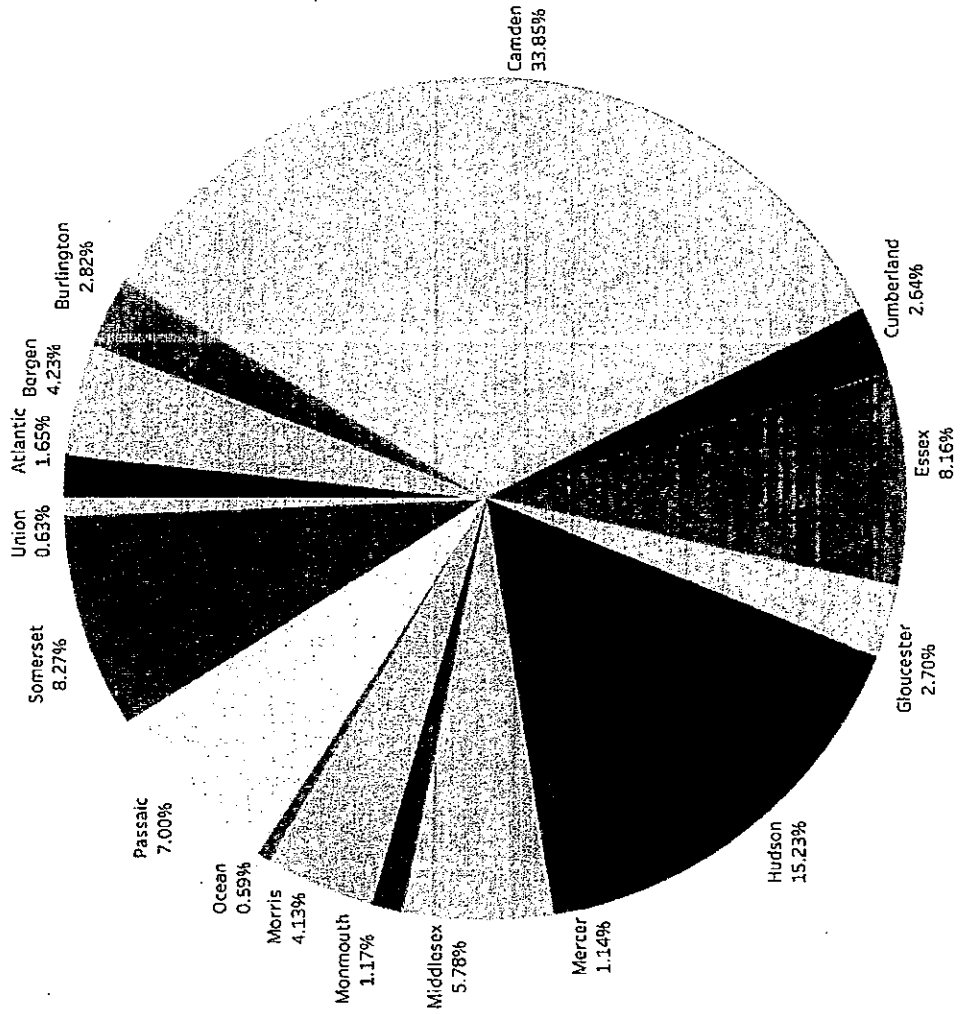
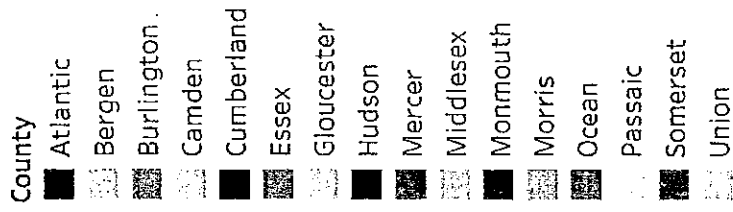
Building on success, Grow NJ can and should evolve

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

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

2/x

Capital Investment by County

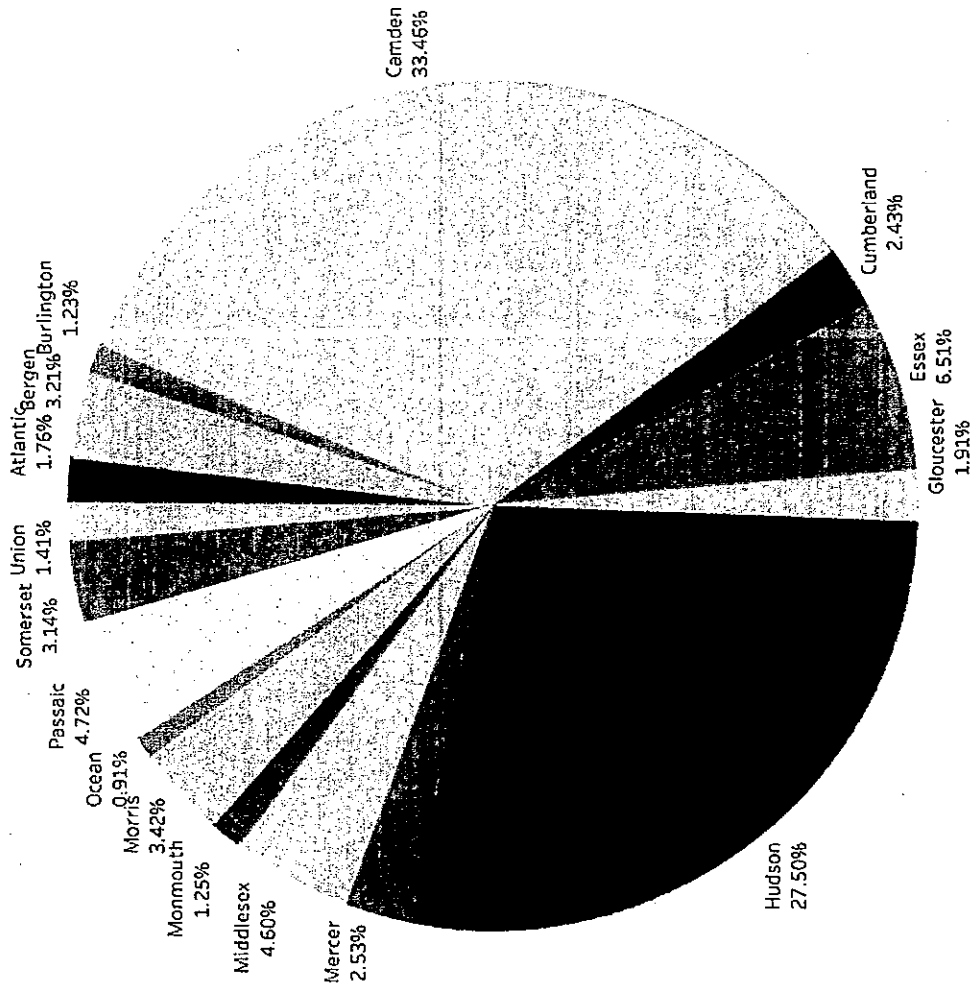


Total Amount of Capital Investment by County (\$)

County	
Atlantic	\$77,046,684.00
Bergen	\$197,119,504.00
Burlington	\$131,421,785.00
Camden	\$1,578,760,072.00
Cumberland	\$123,124,360.00
Essex	\$380,437,471.00
Gloucester	\$126,011,785.00
Hudson	\$710,418,301.00
Mercer	\$53,160,189.00
Middlesex	\$269,646,635.00
Monmouth	\$54,524,787.00
Morris	\$192,438,057.00
Ocean	\$27,737,610.00
Passaic	\$326,567,672.00
Somerset	\$385,821,286.00
Union	\$29,188,736.00

Total Value of Grow NJ Awards by County

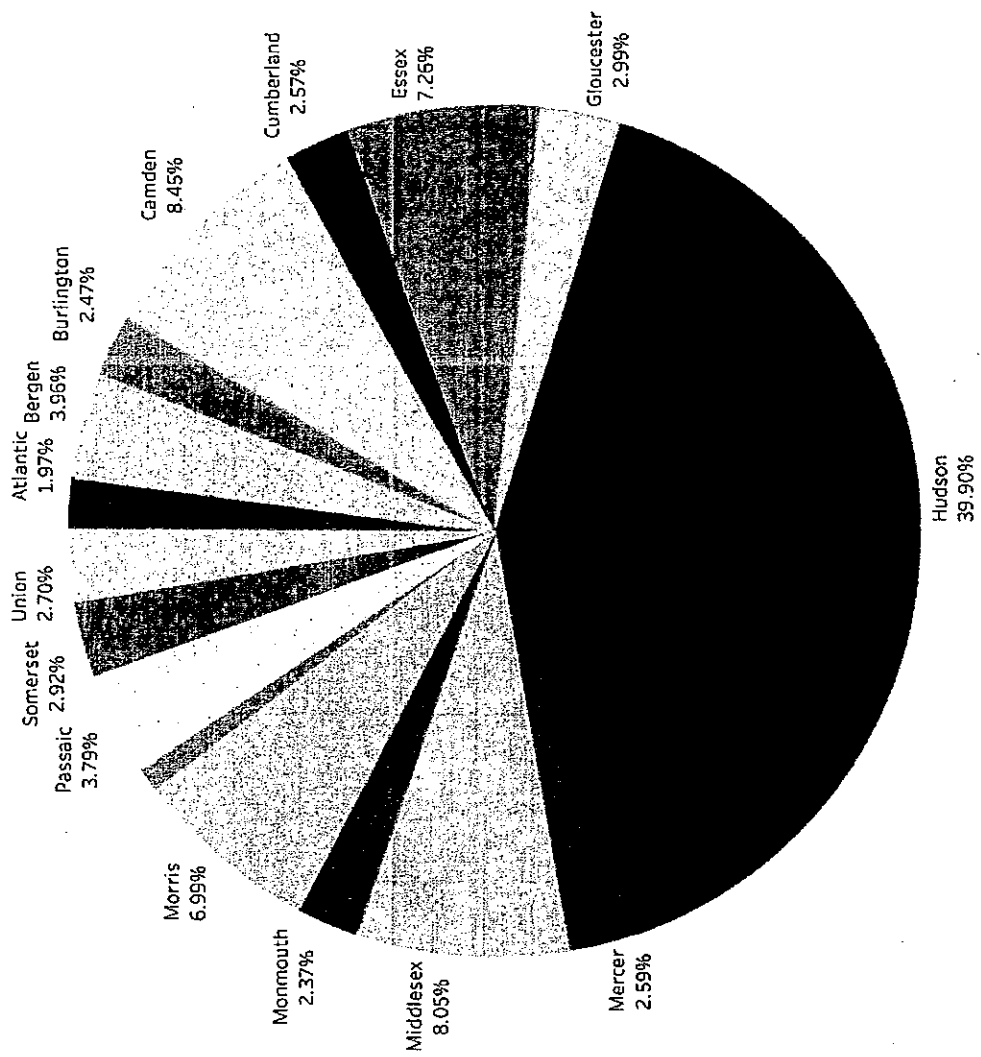
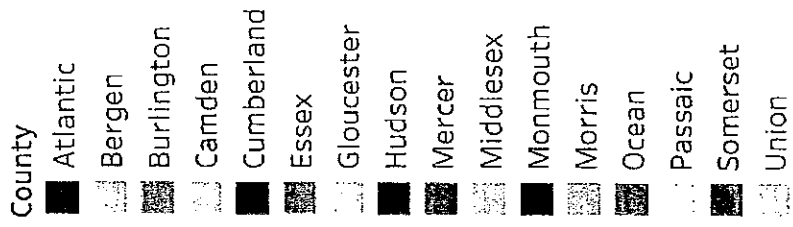
- County
- Atlantic
- Bergen
- Burlington
- Camden
- Cumberland
- Essex
- Gloucester
- Hudson
- Mercer
- Middlesex
- Monmouth
- Morris
- Ocean
- Passaic
- Somerset
- Union



24x

Grow NJ Awards:

Total # New Jobs Only as % by County



Number of New Jobs by County

<u>County</u>	
Atlantic	656
Bergen	1,314
Burlington	821
Camden	2,806
Cumberland	855
Essex	2,412
Gloucester	994
Hudson	13,255
Mercer	859
Middlesex	2,674
Monmouth	787
Morris	2,321
Ocean	338
Passaic	1,260
Somerset	971
Union	897



New Jersey Business & Industry Association

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Tony Bawidamann
Vice President
Government Affairs

Raymond Cantor
Vice President
Government Affairs

Nicole Sandelier
Director Economic Policy
Research

TO: Members of the Assembly Commerce and Economic Development Committee
FROM: Andrew Musick, Vice President, Government Affairs
DATE: June 13, 2019
RE: New Jersey’s Economic Development Strategy– A-4730 (Pintor Marin)
& A-5343 (Pintor Marin, Freiman)

On behalf of our member companies that provide more than 1 million jobs in the state and make the New Jersey Business & Industry Association the largest statewide business association in the country, we thank you for the invitation to submit testimony in regard to the proposed changes to the state’s economic development incentive programs.

Study after study has reconfirmed that New Jersey has one of the most challenging business climates in the country. This is attributed to the Garden State having the highest tax rates in the region; including, the top income tax rate, top corporate tax rate, state sales tax rate, and property tax rate. All of these rates make us the least competitive state in our region.

Despite the high cost of doing business here, New Jersey still has a number of advantages. The state is ideally located with access to major markets like New York City and Philadelphia, a comprehensive infrastructure network, and a well-educated workforce; however, New Jersey’s great qualities come with a large price tag.

Responsible tax incentives play a key role in our economic development strategy to attract and retain businesses in the Garden State. Most policymakers, including members of the Legislature and the Governor, agree that tax incentives are an important and effective tool in New Jersey’s overall economic development toolkit. Simply put, tax incentives “level the playing field” and keep New Jersey competitive with our surrounding states.

Across the nation, states utilize economic development incentives to create and retain jobs, and to encourage companies to relocate and expand within their borders. Programs are tailored to specific industry needs, economic characteristics, and the cost of doing business within the state. As such, directly comparing other states’ programs to New Jersey’s can be a difficult task and often results in an “apples to oranges” comparison.

Because New Jersey has a high cost of doing business, our state must have a more robust tax incentive program to attract and retain businesses. In comparison, Pennsylvania is a much less expensive state within which to do business; therefore, their incentive programs are less expensive as well, since the amount of money needed to close the funding gap is much smaller.

27X

Without robust tax incentive programs New Jersey would struggle to compete in attraction and retention of businesses, jobs, and capital investment. Ultimately, these investments create additional employment opportunities for residents, who, in turn, support a healthy, growing economy. It should be our goal as a state to become a regional, national, and world leader in retention and attraction of business.

At the same time, it is imperative that programs are administered efficiently and effectively, and that the state is receiving substantial return on investments. Therefore, NJBIA continues to support transparency, along with sufficient monitoring and oversight of these programs.

New Jersey revamped its incentive programs with the “Economic Opportunity Act of 2013,” taking great care to make sure that the incentives provided would deliver the promised benefits. As a result, New Jersey’s incentives are all performance-based. Companies have to earn their benefits by generating new tax revenue and satisfying all job and capital investment requirements, prior to receiving a tax credit.

As economic conditions have changed and improved over time, and past investments continue to take shape, it is appropriate to analyze and recalibrate the state’s economic development incentive programs given the changing economy.

Policymakers are currently considering how to best redefine and retool the Grow New Jersey Assistance (Grow NJ) and Economic Redevelopment and Growth (ERG) programs that expire on June 30, 2019. By many measures, these programs achieved their stated goals of creating and retaining jobs in the state, while generating capital investment. The Grow NJ program has been responsible for nearly \$1 billion in capital investment and over 18,000 new and retained jobs, while the ERG program has created over \$1.2 billion in capital investment.

The basis for the discussion today is focused on **A-4730 (Pintor Marin)**, which changes eligibility requirements and benefits under the Grow New Jersey Assistance Program. As policymakers move forward and design New Jersey’s future economic development incentive programs, NJBIA submits the following recommendations, many of which are embodied in A-4730:

- Reduce overall levels of investment in incentives, given the improvement in economic conditions;
- Concentrate incentives primarily on new jobs, rather than for retained existing jobs at risk of relocating from New Jersey or being eliminated, by imposing more extensive limitations on the incentives that can be earned by retaining at-risk jobs;
- Further increase the State’s return on investment on incentives by reducing incentive amounts, and expecting a higher return in terms of new employment, capital investment, and overall economic and fiscal benefits;

- Continue to strengthen program governance, increasing the documentation required on the amount of incentives needed for New Jersey to be successful in winning on a project-by-project basis, and consider lowering the threshold amount on projects that this applies to;
- Further expand access to small business and rapidly growing technology companies;
- Focus a percentage of future investments on high-growth sectors (Life Sciences, Information Technology, Financial Services, Pharmaceuticals, Manufacturing and Transportation/Logistics), leveraging large economic development impacts for New Jersey;
- Promote investment and employment in distressed municipalities, locations that enable and promote sustainable development, live-work-play environments that are served by mass transit options, and areas in the state where under-utilized assets exist;
- Maintain the transferability and monetization of tax credits, as many technology, life science, and Fintech startups have no Corporation Business Tax (CBT) liability in their early years, or are otherwise unable to utilize the tax credits;
- Encourage companies receiving an award to incorporate a workforce development component at a local secondary or post-secondary school to train future employees;
- Exercise caution on the use of caps on total awards, as market and economic conditions may shift, and consider lowering the per-job annual award cap.

Additionally, NJBIA has been a leader in helping New Jersey reclaim its stature as the innovation state. Earlier this year, NJBIA released a report titled Indicators of Innovation, which shows New Jersey at a challenging crossroads in its efforts to reclaim itself as the “Innovation State.” For example, New Jersey lags behind our regional competitors when it comes to venture capital investment in the state.

As of March 31st, 2019, New Jersey received \$653.8 million in venture capital investment for 21 deals, while at the same time Massachusetts has received \$3.1 billion for 143 deals and New York has received \$8.4 billion for 234 deals. And this is not a new trend. In 2018, New Jersey received \$71.4 million less in venture capital investment compared to 2017. During this same time frame Massachusetts and New York both increased their venture capital investment by \$2.7 billion and \$3.1 billion, respectively.

In order to help jump-start and sustain an innovation ecosystem, NJBIA sets forth the following recommendations:

- Analyze the impact a policy will have on New Jersey’s overall regional business climate prior to implementation;
- Incentivize investments and employment that leverage universities and other intellectual property assets of our State, such as centers of existing corporate R&D, incubators and other technology assets;
- Increase thresholds for those investing in R&D and small emerging technology businesses, specifically the Research and Development Tax Credit and the Angel Investor Tax Credit;
- Increase venture capital investment throughout the state to attract startup companies that spur economic development and create jobs;

- Support New Jersey colleges/universities to drive increased federal R&D funding to their institutions;
- Increase incubators and accelerator presence at/near our research institutions;
- Provide employers with the flexibility to structure their workforce in a way that is reflective of the innovation economy.

As we face a potential situation where new programs may not be approved prior to the June 30, 2019 expiration date, it is imperative that there be an extension of the current programs or a transitional arrangement, while new programs are established. It is vital that New Jersey continues to attract and retain both small and large business in order to drive economic growth. We urge the Governor and the Legislature to work collaboratively to provide a temporary transition to a more permanent tax incentive program solution before June 30.

An extension provides additional time for policymakers to debate the details of new programs, without the added pressure of a constitutional budget deadline looming at the same time. Moreover, absent this extension, New Jersey's economy is at risk for continued job growth, which our policymakers want and our state needs. As such, we are pleased to support **A-5343 (Pintor Marin, Freiman)**, which would extend the Grow NJ Assistance Program and the Economic Redevelopment and Growth Grant program until January 31, 2020.

As always, NJBIA remains committed to creating an affordable and competitive business climate; one that drives economic growth and job creation here in New Jersey. We look forward to working with you in this endeavor. We thank you for the opportunity to submit testimony and for your consideration of our views. Should you have any questions or need further information, please feel free to contact me directly at 609-858-9512.



New Jersey Chamber of Commerce
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#NJChamberNow

Testimony before the Assembly Commerce and Economic Development Committee
A-4730 (Pintor Marin) / A-5343 (Pintor Marin; Freiman; Dancer)
June 13, 2019

By
Michael A. Egenton
Executive Vice President, Government Relations
New Jersey State Chamber of Commerce

Thank you Chairman Johnson and members of the Assembly Commerce and Economic Development Committee for allowing us to provide feedback on **A-4730 and A-5343**. As you know, these measures would modify and extend the current Grow New Jersey Assistance Program, and the State and Local Economic Redevelopment and Growth Grant Programs.

The State Chamber thanks the sponsors and this committee for understanding that incentives are imperative to our state's economy and in making New Jersey competitive. We appreciate this discussion and the Legislature's willingness to extend the current programs until we can find a more viable option for a longer-term solution.

New Jersey's current incentives programs created through the Economic Opportunity Act that are set to expire at the end of this month, were designed to enhance business attraction, retention and job creation to strengthen our state's competitive edge. Through Grow New Jersey and the Economic Redevelopment and Growth Programs, regions of the state, such as the City of Camden, have benefited from these initiatives and have seen revitalization.

While there has been a lot of attention surrounding how the programs were administered, this should not be indicative of their overall success. The majority of businesses that made the decision to stay and/or expand here in New Jersey are good corporate responsible parties. If the state – through its research and analysis – finds any fraudulent activity, those responsible should be held accountable. The State Chamber agrees that we need enhanced transparency, but we must not create a negative atmosphere of uncertainty. We must all be cheerleaders for economic development.



Incentives spur businesses to grow their initiatives and jobs so that they can positively influence the economy. We agree with the provisions in A-4730 that use a net-benefits test to determine the overall success of an incentive program. Indeed, if the benefits outweigh the cost, the program should be expanded to meet the needs of the community.

Another provision in this bill would essentially cap awards. The State Chamber believes that a cap signifies a stop in progress. Why would we want to stop something if it has proven to be successful? If there must be such a mechanism, we suggest that a monitoring level be implemented as an alternative. Once that threshold is met, then the state can reevaluate.

Recognizing that the current programs took approximately 18 months to effectuate, we cannot create a new, more effective, functioning program within the next two weeks. Nor can we allow for the current ones to expire. A state that lets its economic growth incentives lapse signals that it is "Out of Business".

A-4730 is a great starting point, but at this time, we must ensure that our state continues to offer incentive programs, which is why the State Chamber supports the passage of A-5343. This bill grants the Legislature, the Governor's Administration and stakeholders the critical time needed to implement more sustainable options. During the timeframe of the extension, the state should look at incentive programs across the country, implement benchmarking, and consider modeling our programs after the most successful ones.

Thank you for taking our views into consideration.



MEMORANDUM

TO: Members of the Assembly Commerce and Economic Development Committee

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

RE: A-4730 (Pintor Marin)
A-5342 (Pintor Marin/Freiman)

DATE: June 13, 2019

The Chamber of Commerce Southern New Jersey (CCSNJ) is honored to have been invited to offer testimony on a topic that is of major economic importance to the South Jersey region and to our State; that is, the New Jersey Economic Development Authority's (NJEDA) Grow New Jersey Assistance Program and the Economic Redevelopment and Growth (ERG) Program. Additionally, the CCSNJ is pleased to offer our thoughts on **A-4730 (Pintor Marin)**, which would change eligibility requirements and benefits under Grow New Jersey; and, on **A-5342 (Pintor Marin/Freiman)**, which would extend the current programs that are set to expire on June 30, 2019 until January 31, 2020.

Thank you for the opportunity to weigh in on these programs that we believe have been *highly effective* in attracting and retaining businesses in our State, none more successfully than in Camden City.

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

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

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

In addition to the capital investment that has vastly improved the landscape of and brought more people and resources to the City, these corporations and businesses created an environment that provided

needed certainty for other businesses to open or expand their operations in Camden. Some recent examples are:

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

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

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

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

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

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

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

New Jersey's long-time reputation as an unfriendly and costly place to do business has only been exacerbated by the recent passage of a \$15 minimum wage, a paid sick leave mandate on employers, the expansion of New Jersey's Paid Family Leave Act, and a restrictive and confusing equal pay mandate. These

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mandates come on top of the fact that New Jersey has the highest property taxes in the nation, highest Corporation Business Tax in the nation, the second highest top marginal personal income tax rate in the nation and a slew of other taxes and fees that add greatly to the cost of doing business. ***Doing away with these programs - or imposing restrictive caps on the amount of tax incentives for which businesses can be eligible - will greatly hamper or remove the most effective tool in attracting and retaining business in our state.***

This is why we were pleased to see that **A-4730 (Pintor Marin)**, which makes reasonable changes to Grow New Jersey, did not cap the amount of benefits that could be awarded. Instead, the bill makes a series of more strategic changes to the awards.

In addition to the changes called for in **A-4730 (Pintor Marin)**, the CCSNJ supports continued oversight, accountability and consistency of the programs administered by the NJEDA. However, we caution that any added oversight by state government should not add to administrative burdens on the employer community in order to remain eligible and comply with program requirements.

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

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

Lastly, the CCSNJ believes a rigorous evaluation of all incentive programs by the Legislature is needed and essential to assuring New Jersey's return on investment is meaningful and legitimate. To that end, the CCSNJ supports **A-5342 (Pintor Marin/Freiman)**, which allows for a six-month extension of the current programs to January 31, 2020. Although extending these programs will, for all intents and purposes, freeze their use - which is a cause of concern for the CCSNJ - taking time to assure the programs are reassessed thoroughly and fairly will result in a stronger, more effective final product.

As the State nears the June 30 expiration date of Grow New Jersey and the ERG, the CCSNJ supports reasonable changes that result from a thorough assessment of the existing programs (as opposed to a complete overhaul that includes caps on incentives) with an emphasis on consistent oversight, use of metrics, and a predictable process in the NJEDA when awarding incentives. The CCSNJ recognizes that doing so will likely require extending the current programs for an additional six months.

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

LAUNDRY, DISTRIBUTION AND FOOD SERVICE JOINT BOARD

703 McCarter Highway Newark, NJ 07102 Tel: (973) 735-6464 Fax: (973) 735-6465



Testimony of Megan Chambers, Co-Manager of the Laundry, Distribution and Food Service Joint Board, Workers United, SEIU

NJ Assembly Commerce and Economic Development Committee

June 13th 2019

My name is Megan Chambers. I am the Co-Manager of the Laundry, Distribution and Food Service Joint Board, Workers United, SEIU.

We are a labor union that represents 8,500 workers employed in warehouse distribution centers, industrial laundries, food service establishments and various public sector occupations.

We are a member of Warehouse Workers Stand Up, a diverse coalition of unions, community organizations and advocacy groups that are organizing to improve standards for all workers employed in the warehouse distribution sector in New Jersey.

I would like to thank Chairman Johnson and the other members of the Assembly Commerce and Economic Development Committee for inviting me to testify today about Assembly Bill 5343 and Assembly Bill 4730.

With the Grow NJ and Economic Redevelopment and Growth programs set to expire, the State legislature has the opportunity to reform our state tax incentives to ensure taxpayer subsidies create permanent, full-time warehouse jobs with living wages, affordable health benefits and adequate safety protections for New Jersey residents.

We do not support Assembly Bill 5343 or Assembly Bill 4730 because these bills do not provide the vital reforms needed to make sure that tax incentives given in the warehouse sector create good jobs. Improved labor standards for warehouse workers and enhanced oversight and enforcement procedures must be included in any extension of the expiring NJEDA programs.

As you know, the warehouse distribution sector in New Jersey is booming, driven by demand from e-commerce companies, our proximity to major consumer markets in the New York City metropolitan area and our excellent infrastructure including the Ports of Newark, Elizabeth and Bayonne. Today, more than 50,000 people are employed in warehouse distribution centers in New Jersey, an increase of nearly 23,000 over ten years, and the rapid expansion in warehouses continues. The state government must ensure that this expanding employment sector generates good-paying, safe, secure jobs for New Jerseyans.

However, a research report issued by the Warehouse Workers Stand Up coalition in December 2018 shows that warehouse distribution jobs are often dangerous, underpaid, and in need of more scrutiny and regulation from state government. Many of these workers earn low wages and face erratic schedules as part-time, seasonal, or temp workers. They lack decent benefits and a path to full-time jobs and careers. And they are subject to unsafe working conditions.

While New Jersey is a national leader in warehouse employment we significantly lag most states in warehouse worker wages. According to the Bureau of Labor Statistics, New Jersey has the second highest proportion of "Packers and Packaging" jobs in the country, behind only Illinois. However, with an average hourly wage of \$11.64 for this job classification, New Jersey ranks 37th in the country, behind Alabama.

Alberto Arroyo, Co-Manager

Megan Chambers, Co-Manager

Wilfredo Larancuent, Secretary-Treasurer

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LAUNDRY, DISTRIBUTION AND FOOD SERVICE JOINT BOARD

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This past October, 44-year-old Jose R. Caba, a Macy's warehouse worker in Edison, fell more than 30 feet from a cargo lift to his death. Then, in December, dozens of workers at an Amazon fulfillment center in Robbinsville were sent to the hospital from an exploding can of bear repellent.

Over the last five years, the NJEDA has awarded \$230 million in Grow NJ tax credits to warehouse developers and operators. Unfortunately these Grow NJ tax credits were awarded with little oversight and no requirement to create good full-time jobs with decent wages, affordable healthcare benefits or adequate safety protections. NJEDA subsidies have gone to a warehouse that hires temporary workers at \$11 an hour. Another warehouse operator was approved for a large NJEDA subsidy despite a history of wage and hour violations, illegal employee misclassification, and serious OSHA violations including a worker death.

It is unacceptable that the NJEDA has awarded hundreds of millions in taxpayer subsidies to the booming warehouse distribution sector with no requirement that companies create decent, safe, living wage warehouse jobs for New Jersey residents.

Warehouse Workers Stand Up is advocating to place requirements on companies seeking NJEDA subsidies so that any warehouse developers and operators who receive tax incentives are required to provide permanent, full-time jobs with fair wages, affordable healthcare and decent, safe working conditions. Additionally, we must have improved NJEDA oversight and enforcement procedures to hold warehouse developers and operators accountable to their commitments.

Last week Governor Murphy proposed important reforms to Grow NJ and other NJEDA tax incentive programs. These proposed reforms include an immediate \$15 minimum wage, improved oversight, reporting and enforcement measures and an onsite safety and health consultation with the Department of Health. These reforms are a positive step towards creating good, living wage jobs for warehouse workers and ensuring real accountability for taxpayers. These kinds of reforms should be incorporated into any continuation of NJEDA programs including Grow NJ.

Unfortunately, Assembly Bill 5343 fails to include any meaningful reforms to the expiring NJEDA programs. This bill simply extends the current programs without addressing the need to ensure that our taxpayer subsidies create good jobs in the booming warehouse distribution sector. It is not good policy to extend the NJEDA programs without reforms.

We are also opposed to Assembly Bill 4730. This proposed legislation not only fails to include meaningful labor standards for warehouse workers in NJEDA programs, it actually erodes the insufficient labor standards that do exist. This proposed legislation would allow companies to count "independent contractors" as "full time employees" for the purposes of calculating and granting NJEDA tax credits. The warehouse distribution sector is plagued by an excessive reliance on precarious, part time and temporary employment. This proposal would further undermine stable, permanent, full-time employment by creating a financial incentive to classify workers as independent contractors.

Business is booming in the New Jersey warehouse sector. There is no need to forego tax revenue to create these jobs. The question is: what kind of jobs will they be? Let's not subsidize poverty wages and worker deaths. Let's act now to ensure that warehouse subsidies provide safe jobs and decent wages that can support a family in dignity.

Governor Murphy's proposed NJEDA reforms include important protections for warehouse workers and enhanced oversight and enforcement provisions to hold subsidy recipients accountable. I strongly urge this committee to develop legislation for NJEDA reauthorization that incorporates labor standards for warehouse workers.



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June 13, 2019

Re: A-4730 -- Suggested amendments -- Grow NJ Program

Dear Chairman Johnson and members of the Assembly Commerce and Economic Development Committee:

On behalf of Quest Diagnostics, thank you for the opportunity to provide testimony regarding A-4730. Quest Diagnostics is the world's leading provider of diagnostic information services and serves one in three adult Americans and half the physicians and hospitals in the United States annually. We are particularly proud of our presence in New Jersey, our home state. In New Jersey alone, we have nearly 2,900 employees and 86 patient service centers; we serve nearly 22,000 doctors, 59 hospitals, and approximately 53,000 patients daily. In 2019 we plan to employ well over 3,000 employees due to growth in our business.

With the support of the State's Grow NJ incentive program, this past spring, Quest opened its new world headquarters in Secaucus. It is a state-of-the-art, open-concept layout with all the latest technology, sweeping views, an outdoor deck, and even our own "Geek Bar." In addition, our CEO, CFO, General Counsel and Senior Management Team in addition to many other members of our leadership team are all located in Secaucus. Because our Secaucus facility is our world headquarters, it serves as the company's business hub. We regularly host meetings, conferences, and other events that bring people from within the company and from outside the company to New Jersey, all of which we are proud to say brings revenue to our local community businesses like hotels, restaurants, transportation companies, and other services.

We are doubling down on our commitment to New Jersey with the development of a new state-of-the-art lab in Clifton. In fact, this spring we held our groundbreaking ceremony and construction is underway. Put simply, Quest is a homegrown New Jersey company: we were founded in New Jersey; we have been headquartered here for 50 years; and in that time we have built this New Jersey business into a multinational, Fortune 500 company. We are at the forefront of innovation in the healthcare industry; we are growing; and we are proud that we continue to call New Jersey home.

We fully support the State's intentions to renew its incentive programs. As discussed, Quest has been a beneficiary of these programs, and they have allowed us to re-invest in our home state. However, we also understand and appreciate that programs like these must be re-visited from time-to-time and improved based on the current business and economic climate. As the Legislature considers revised approaches to its incentive programs, one of the most important drivers should be remembered: innovation.

As the State seeks to attract employers and employees that are steeped in the innovation economy through its new incentive programs, it is critical that we stay focused on the key issues that are most important to that economy – this includes things like workplace flexibility. The current incentive program calls for employees to be present in the facility 80% of the time. We propose that such a requirement be reduced to 40%. Although physically bringing employees into a specific geographic area is an important component of any incentive program, a renewed incentive program must recognize evolving technologies and workplace flexibility. In

addition, we believe it is important to consider and clearly address in the legislation other factors that may call for employees to be offsite, such as vacation, sick and personal time, and business travel.

Further, we propose that strengthened workplace flexibility provisions be made to retroactively apply to existing incentive recipients. While we understand and fully agree that many of the provisions in the new program legislation are only appropriate for new recipients, we feel it is critical that provisions that impact a company's ability to grow effectively and continue to expand in New Jersey's burgeoning innovation economy, such as provisions related to workplace flexibility, be applied retroactively for all incentive recipients.

Ensuring that the companies that the State seeks to attract with incentive programs are able to implement their business model as effectively as possible is at least equally as important as employees having some physical presence. In this innovation economy, companies compete for employee talent and individuals make employment choices based on a consideration of multiple factors. Increasingly, employees seek a work-life balance that is driven by workplace flexibility. A survey conducted by Fractl in 2016 and reported in the Harvard Business Review found after health insurance, employees place the highest value on benefits that are relatively low-cost to employers: one of these benefits was work-from-home options. And women ranked this benefit higher than men.

A 2017 Gallup Study on the American Workplace lends more support to this concept by showing the 53% of employees say a role that allows them to have greater work-life balance and better personal well-being is "very important" to them. Again, women placed a much higher value on this benefit, as did Millennials and Gen Xers.

Indeed, allowing employees to work remotely supports families and working parents: with all the modern pressures that families face, allowing workplace flexibility can help ensure that families have the time they need together. If the state's programs reduce the flexibility of companies to offer employment terms attractive to top-tier talent, that will reduce the attractiveness of the programs and of New Jersey as a location of choice for employers. Remote working also can be helpful to reduce the burden on the state's roads, and it would clearly be beneficial to the environment.

We share the State's vision for an economy based on innovation and the development of an economic infrastructure that attracts the top talent to either stay or come to New Jersey; and recognizing key issues for the employers and employees of that economy must be a top priority. We understand that there are many complex issues to consider as you work through this legislation, so we very much appreciate your consideration of this proposal. If you have any questions, please do not hesitate to contact me.

David M. Reiner

David M. Reiner
Senior Director, State Government Affairs