
Committee Meeting

of

SENATE ECONOMIC GROWTH COMMITTEE
ASSEMBLY COMMERCE AND ECONOMIC DEVELOPMENT
COMMITTEE

*“The Committees will take testimony from invited guests
regarding the State’s economic development strategy”*

LOCATION: Committee Room 4
State House Annex
Trenton, New Jersey

DATE: March 8, 2019
10:00 a.m.

MEMBERS OF COMMITTEES PRESENT:

Senator Nilsa Cruz-Perez, Chair
Senator Steven V. Oroho
Assemblyman Gordon M. Johnson, Chair
Assemblyman John Armato
Assemblyman Nicholas Chiaravalloti
Assemblyman Roy Freiman
Assemblywoman Eliana Pintor Marin
Assemblyman Robert Auth
Assemblyman John DiMaio



ALSO PRESENT:

Patrick Brennan
Robert C. Rothberg
*Office of Legislative Services
Committee Aides*

Eugene Lepore
Senate Majority
Bianca Jerez
*Assembly Majority
Committee Aides*

Laurine Purola
Senate Republican
Joe Glover
*Assembly Republican
Committee Aides*

***Meeting Recorded and Transcribed by
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GORDON M. JOHNSON
Chair

ROBERT J. KARABINCHAK
Vice-Chair

JOHN ARMATO
CLINTON CALABRESE
NICHOLAS CHIARAVALLOTTI
ROY FREIDMAN
JAMES J. KENNEDY
P. CHRISTOPHER TULLY
ROBERT AUTH
ANTHONY M. BUCCO
JOHN DIMAIO
PARKER SPACE



New Jersey State Legislature
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COMMITTEE NOTICE

TO: MEMBERS OF THE ASSEMBLY COMMERCE AND ECONOMIC DEVELOPMENT COMMITTEE

FROM: ASSEMBLYMAN GORDON M. JOHNSON, CHAIRMAN

SUBJECT: COMMITTEE MEETING - MARCH 8, 2019

The public may address comments and questions to Robert C. Rothberg, Committee Aide, or make bill status and scheduling inquiries to Julie Ferranto, Secretary, at (609)847-3875, fax (609)633-1228, or e-mail: OLSAideACE@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 Commerce and Economic Development Committee and the Senate Economic Growth Committee will meet on Friday, March 8, 2019 at 10:00 AM in Committee Room 4, 1st Floor, State House Annex, Trenton, New Jersey.

The committees will take testimony from invited guests regarding the State's economic development strategy.

Issued 3/1/19

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COMMITTEE NOTICE

TO: MEMBERS OF THE SENATE ECONOMIC GROWTH COMMITTEE
FROM: SENATOR NILSA CRUZ-PEREZ, CHAIRWOMAN
SUBJECT: COMMITTEE MEETING - MARCH 8, 2019

The public may address comments and questions to Patrick Brennan, Committee Aide, or make bill status and scheduling inquiries to Kimberly Johnson, Secretary, at (609)847-3840, fax (609)292-0561, or e-mail: OLSAideSEG@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.

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SENATOR NILSA CRUZ-PEREZ (Chair): Good morning.
I just want to welcome everybody this morning.

Thank you for attending -- our guests -- to provide us testimony on economic development and strategy.

On behalf of Chairman Johnson and myself, we want to welcome everyone.

Could Senator Oroho lead us in the Pledge of Allegiance, please?

SENATOR OROHO: Absolutely; thank you, Chairwoman.

(all recite Pledge of Allegiance)

ASSEMBLYMAN GORDON M. JOHNSON (Chair): Good morning, everyone; and thank you for coming, and participating, and providing information.

I feel that we are amongst SMEs -- subject matter experts -- when it comes to providing incentives and growth -- business growth in the State of New Jersey. So thank you for coming.

We are going to keep this short and brief today; three to five minutes for each speaker -- participant -- and move this along.

And we will try to get us all out of here at a reasonable hour, like 1 p.m. or so, hopefully.

Chairwoman.

SENATOR CRUZ-PEREZ: Oh, well, it's up to you, sir; you're in charge. (laughter)

ASSEMBLYMAN JOHNSON: Okay, ma'am.

SENATOR CRUZ-PEREZ: I would say 12, but you say 1; okay.

ASSEMBLYMAN JOHNSON: Okay; she said 2 (*sic*), I said 1.
We'll go with 1:30; all right. (laughter)

So first up-- Are we ready for our first speaker, Chairwoman?

SENATOR CRUZ-PEREZ: Let's do roll call; I'm sorry.

MR. ROTHBERG (Committee Aide): For Senate roll call,
Senator Oroho.

SENATOR OROHO: Here.

MR. ROTHBERG: And Chair Cruz-Perez.

SENATOR CRUZ-PEREZ: Present.

ASSEMBLYMAN JOHNSON: Assembly roll call.

MR. BRENNAN (Committee Aide): Assembly roll call.
Assemblyman Freiman.

ASSEMBLYMAN FREIMAN: Here.

MR. BRENNAN: Assemblyman Chiaravalloti.

ASSEMBLYMAN CHIARAVALLOTI: Here.

MR. BRENNAN: Assemblyman Armato.

ASSEMBLYMAN ARMATO: Here.

MR. BRENNAN: Assemblyman Johnson.

ASSEMBLYMAN JOHNSON: Here.

SENATOR CRUZ-PEREZ: Thank you so much for that.
The first group that we're going to bring--

MR. BRENNAN: Assemblyman DiMaio; I apologize.

ASSEMBLYMAN DiMAIO: Here.

MR. BRENNAN: Assemblyman Auth.

ASSEMBLYMAN AUTH: Here.

SENATOR CRUZ-PEREZ: The first group we're going to bring forward -- I'm going to bring them in a panel -- will be the research university presidents' panel -- Chancellor Christopher Malloy, President Ali Houshmand, President Joel Bloom, and President Susan Cole.

Could you come forward?

And we can start from Dr. Houshmand, all the way down.

Dr. Houshmand.

ALI A. HOUSHMAND, Ph.D.: Good morning, everybody; and thank you for giving us an opportunity today to come in here and speak with you.

We are looking at the Office of Government External Relations document that I received from my Committee, talking about the State Senate Economic Growth Committee.

And what I want to talk about today is the role of research universities in enhancing the economic well-being of our communities.

Rowan University, in recent years -- since it has become classified as a research university in the year 2013; and, as recent as this past year, as an R2 classified research university by Carnegie -- has engaged extensively in applied kind of research in our community. We have recently invested \$50 million over the next 10 years -- seed money -- for research in the Life Sciences in Camden.

We have partnered with a number of major industries. For example, Lockheed Martin, every year, employs 30 of our students as interns who, eventually, upon graduation, get hired. We have our faculty members who have created a tremendous amount of new technologies to deal with health care issues. For example, we have Professor Nagele, who

has created a genomic (indiscernible) markers that has been marketed and sold to a company. We have our Chair of the Department of Biomedical Engineering, who has developed a contact lens that delivers drugs to patients. We have research with Coriell Institute -- Cooper Medical School of Rowan University, and Cooper University Hospital in opioid genomic research, with Coriell, which is very, very important and a critical and serious issue in our state and in our country.

The bottom line being that research institutions -- by the sheer size of them and the operating budget that they employ -- end up hiring many, many people and doing a tremendous amount of activities. And I think to the extent that the support from the State, especially in regard to tax incentives for the companies to come to this region, to work with us and to create jobs and economic well-being, is critical.

I'll give you an example. Between the year 2011 and 2019, Rowan employment has gone from 1,600 to over 4,000 employees; and our operating budget went, roughly, from \$200 million to \$515 million. And all of that has created a tremendous amount of economic activities. Through our Rowan Boulevard project, which is a P3 project, where developers invested \$400 million to build the whole campus-- That area used to be a housing -- it was a very bad housing situation that used to generate only \$110,000 ratables for the Borough of Glassboro. As a result of this restructuring, that region alone now generates \$4 million of taxation for the Borough of Glassboro.

So the role of research universities is tremendous in really trying to help revitalize the economy, to attract industries to our region, to

partner with a company and, hopefully, to keep them in this state to generate more capital for our state.

Thank you.

SENATOR CRUZ-PEREZ: Thank you so much.

ASSEMBLYMAN JOHNSON: Well, thank you, sir; thank you for that.

Next speaker.

We'll take questions, as a group, in the end, if anyone on the dais has questions of these folks from academia.

Doctor.

S U S A N A. C O L E, Ph.D.: Thank you.

For the record, I am Susan Cole, the President of Montclair State University.

Mr. Chairman, Madam Chairwoman, members, thank you for inviting us to be here today.

I think that we would set the baseline of everything that we have to say by saying that, in today's world, there is no question that there is an incredibly close linkage between economic sustainability and prosperity, and the education of the workforce and the population, generally.

Ali Houshmand has given you a good example of what one institution does, in terms of those kinds of connections. You can multiply that by every major institution of higher education in the state, and every institution in a variety of different ways.

What I really want to focus on, in my few minutes today, is one particular issue; that issue is out-migration. And why do I want to talk

about it? Because it is absolutely critical to the future prosperity and the social well-being of this state.

Today, as we sit here, close to 32,000 students a year leave this state to go to institutions for four-year education in other states; 32,000 last year; 32,000 this year; 32,000 next year. Who is walking out the door? The people who are walking out the door are those most geared to higher education; those most likely to be able to work, pay taxes, buy homes, sustain communities. They are walking out the door, after New Jersey has spent more than almost any other state in educating them K to 12.

There is no other state in the nation that looks like New Jersey, in terms of out-migration. The net out-migration is between 27,000 and 28,000; so very few people are coming into the state. Nobody looks like that; the next highest state is Illinois, with about a loss of 19,000, I think it is; 19,000.

All right; so what is the point? The point is, when those students, those 27,000 net, leave the state, they are taking with them literally billions of dollars in education expenditure; billions. It has been estimated at somewhere between \$6 billion and \$8 billion a year. And they are taking with them talent, the incredible talent that those 27,000 students have; and they are taking the kind of alignment with the workforce needs in New Jersey that we could undertake if they stayed here.

So the next important question-- That's why it's important. The next important question is, why is it happening? Why is New Jersey so different?

And the answer to that is not hard to find. We have no incentives for students to stay in state. The major incentive that every

other state uses is the low tuitions in their public institutions. So if you go to State U elsewhere in the nation, you are going to pay a relatively low price for your higher education. If you go to New Jersey's public institutions -- to any of these institutions -- you are going to be paying the highest tuitions in the nation. That's a fact. And as a consequence, that incentive is missing.

The other incentive that is missing is the dysfunction in the major program that supports students in the state, the TAG program. The TAG program is in desperate need of reform. It disadvantages tens of thousands of students in this state and it, therefore, is not an incentive for people to stay.

And the third reason is that we have not really built the kind of intensive and really expansive relationships between higher education and the world of work -- the business and industry sector -- that would keep students in the state because of the opportunities they will have to move from higher education into major businesses, industries, and occupations.

So what is the to-do list? It is not rocket science, to use that phrase; it is not. It is pretty straightforward, and it is stuff that we've all known about for decades, and have been talking about for decades. We need a rational investment in public higher education. There is not a single public institution that is appropriately supported, as we sit here today. We need a rational plan for doing that. We need a rational TAG program. And we need to deeply engage that investment that we make -- that investment in better support, and more rational support, more intentional support -- in the higher education infrastructure. We need to leverage it with bringing business and industry into the picture. There should be plentiful, manifold

internship opportunities for students in-state. There should be sharing of laboratories, and other kinds of physical facilities, and equipment, between industry and universities. There are such real opportunities for collaboration. When we build academic programs, we should build them with industry. When they have workforce needs, they should be on our campuses, talking to us about those needs, so we can build programs appropriately.

All of this leads to the question of, why should business and industry, why should students and their families choose New Jersey. And the answer has not been given to them, and we need to give them that answer, and we know how to do it. We just have to put the political will behind a rational plan.

Thank you.

SENATOR CRUZ-PEREZ: Thank you so much.

JOEL S. BLOOM, Ed.D.: Good morning.

Joel Bloom, from New Jersey Institute of Technology.

Let me first start by echoing what you've heard already; and I'm going to expand on some of it or add some items to the to-do list, as well as talk about what I think we've done, in part, in response to what President Cole has said.

To expand the to-do list: President Cole mentioned TAG. The companion program to that -- particularly for our underrepresented students in the State of New Jersey -- is EOF funding. Like TAG, it has lagged for years, and has not kept up sufficiently to fund the students with the greatest economic need in the State of New Jersey. So I'd add that to the list.

We thank you for the 2012 Bond Act; it was just short of a miracle, for many of us, in adding facilities that are desperately needed on our campuses.

This past fall, I had over 8,200 applications for a freshman class; but I can only seat, in the freshman class, about 1,300. So the 2012 Bond Act helped us catch up. But as the demand for STEM education has grown exponentially, I can't keep up. So some of those students that you've heard are leaving the state -- the reasons are several-fold; one, we can't accommodate them. There aren't enough seats in the classrooms, enough spaces in our teaching labs, not enough opportunity for the students to get the kind of education they need here in the State of New Jersey in order to create the workforce for the State of New Jersey.

So we need facilities funding; not on an episodic basis, but on an ongoing, regular basis, so we can plan. We could plan not only for new buildings in order to handle the increased demand, but also to maintain the quality of the buildings.

In the STEM education field -- which is one of the fastest-growing fields, as you all know, in the State of New Jersey, with -- you've got professions; you have to have currency -- currency in your curriculum, currency in your laboratories, currency in your faculty. So we've had the opportunity to add 118 faculty over the past five years. I did it with an early retirement incentive program. But we, again, have to build that into what we are doing, in the rational plan that you heard President Cole call for.

So it's not enough for funding some programs; it needs to be comprehensive. It needs to look at facilities, and it needs to look at this funding -- particularly, again, for underrepresented students.

And the last thing -- which I think many of us are struggling with -- is something called the *State caps*. So NJIT has benefits paid by the State for about 1,182 employees; that's staff and faculty. I have now exceeded that. In order to keep up with the demand for STEM students, I've hired more faculty, as you've just heard me say; 36 retired. I've added a 118 as a result of those 36 retirements. But now I will write a check to the State of New Jersey -- for having gone above my cap -- for a quarter-of-a-million dollars in the current year. So we ask you to look at the caps.

The other thing I ask you to please consider, as we fund programs-- And the Governor's-- Which I believe we have been asked to comment on *The State of Innovation: Building a Stronger and Fairer Economy in the State of New Jersey* -- has many, many very strong programs in it; STEM Forgiveness Program. If you want to look at a driver for economic development, and you look at higher ed, you'll notice most of us here have a trifecta. Not only are we creating the workforce, we are also doing the R&D; NJIT does a \$162 million in R&D. The multiplier effect of R&D is 17-to-1. Well, what does that mean? That means for every dollar in research expenditures that we do, and we bring it out -- it's very applied, as the President Houshmand has said, we bring it out to our industry partners, of which we count about 120 these days -- it impacts them 17 times. So it's driving their development, their production, their creation of innovation.

And higher ed, in the State of New Jersey, creates-- I mentioned the workforce -- workforce, a STEM workforce professional.

Again, a multiplier effect; it's in the Governor's report. Just about five jobs are created for every STEM professional; five jobs, five professional jobs. So, again, trifecta.

The last piece, of course, is innovation. You cannot innovate in many small companies; and small companies are the driver of economic recovery. Yes, the large companies play a significant role; but it's the small companies-- And they can't innovate without the help of higher ed institutions.

I think many of you are aware -- we created something called the *New Jersey Innovation Institute*, as a subsidiary of NJIT. That's to create one door to any business or industry in the State of New Jersey to engage the resources of your State-funded polytechnic university. So we have very talented faculty; we have very talented students, undergraduate through Ph.D. We have very specialized equipment; a number of you have seen what we've done with \$10 million in State funding in our Makerspace -- state-of-the-art manufacturing, prototyping kind of equipment.

So business and industry that can't afford, necessarily, to do all this on their own, comes to our institutions; comes to your polytechnic institution. We are driving the economy. They set up shop on our campuses, some of which you already heard President Houshmand describe. So we are innovating about 70 companies today. We are business incubators, with the largest and the oldest business incubator in the State of New Jersey in science and technology.

So those are some of the to-dos that we have. Again, I think in part, in serving the State of New Jersey, we've served as a bit of a model. We can show you, again, a multiplier effect of the jobs we've created; the

funding that we brought to the State of New Jersey. You may have just read -- we became an R1 institution -- Research I institution; there are only 131 of us in the country. As I'm sure you'll hear from Chancellor Malloy, they are one; and Princeton is in R1 as well. I know he has read, as I have read -- in Washington, when you read grant proposals, those that come to the top, and get read first, and get funded first, are the RIs. So again, it's an opportunity for the RIs to bring additional funding to the State of New Jersey.

I will stop; and I thank you for the opportunity to speak here today. And I think we could have an impact in working together, and improving higher ed, and stopping the exodus -- the exodus of students we are losing in the State of New Jersey. Very often, if you do the analysis, about a third of the 30,000 who are leaving are some of our top-performing students.

So thank you.

SENATOR CRUZ-PEREZ: Thank you so much for your testimony.

Chancellor Malloy.

C H R I S T O P H E R J. M A L L O Y, Ph.D.: Again, just for the record, my name is Christopher Malloy. I'm the Chancellor of the Rutgers-New Brunswick campus, which is the main campus, of course, in New Brunswick. I've been at Rutgers 12 years.

And actually, one of the points I wanted to make is, I came back to Rutgers, initially, as the Dean of Pharmacy. Coming from the pharmaceutical industry in New Jersey, from Johnson & Johnson, I saw the great opportunities that have existed among our universities in doing early

search for companies, like the pharmaceutical companies and engineering companies. It was part of the impetus for me to come back.

The New Jersey Higher Education Medical Restructuring Act (*sic*), that was enacted, that merged UMDNJ into Rutgers --which also has benefited Rowan significantly -- has been a real help to this initiative; and actually has helped propel Rutgers from being, sort of, in the bottom quartile of public research universities in the country into, really, a top 20 public research university, now part of the Big Ten.

And there's a lot of significant activity that will go along with that -- that Restructuring Act -- that will help attract out-of-state students, actually -- who can afford to pay our tuition -- to Rutgers, to bring some talent in here.

One way we've done that is President Barchi and the University has created an Honors College that takes in 500 of the top students in the country; many of them are full scholarships who come from New Jersey. The SAT scores in our Honors College -- which now has had 2,000 students go through it -- the average SAT scores of that cohort in the freshman class-- If that was a stand-alone university in the country, it would be ranked fourth, only behind Caltech, MIT, the University of Chicago.

So we actually have taken steps, using some of the bond money that was available in 2012 -- a very important initiative that should be continued -- to really try to build and create talent here.

There's some low-hanging fruit that I've observed in my few months as Chancellor. Really getting Career Services internship opportunities -- the funding for that allows students to benefit from being

in a state full of Fortune 500 companies is really critical, as mentioned by my colleagues. And I think the State needs to find ways to do this. We certainly have significant deferred maintenance at the University; although, albeit, we've been able to build a few new buildings.

We have increased collaborations with our sister universities, Rowan and Princeton; and of course NJIT. And President Bloom and I have had many conversations, over the years, in this regard. I think we need to do more with Montclair State; although I am familiar with the Sokol Institute, actually, at Montclair State, and some of the stuff that's going on there.

Of course, in terms of numbers -- you know, Rutgers is our flagship University. Again, I grew up in New Jersey; went to public high school in Livingston, in Essex County, and was a double Rutgers alum. So I've certainly benefited from the great K through 12 education in this state, as well as education that we've had at Rutgers. Rutgers now has over \$700 million annually in research expenditures. In the Big Ten -- those 14 universities that include Michigan, and Wisconsin, and Minnesota, and Penn State -- we're right in the middle of the pack. There's a huge amount of respect from those schools -- not necessarily for our football team -- but actually for our scholarship and our outstanding programs in a variety of areas, including Honors College, our humanities, and a variety of STEM areas as well.

That kind of recognition will help us to keep our in-state students -- although certainly money helps, and we've heard about that -- as well as attract really important out-of-state talent to New Jersey -- which is

really something we need to build -- and retain our industries, like the pharma industry, that I left recently.

Some of the initiatives that we worked on -- with the State, and with NJII, and others -- we've been collaborating on creating incubators; working with companies like Celgene; working with Governor Murphy on his initiative for the HUB project in downtown New Brunswick. Rutgers has actually pledged to take up to 50,000 square feet of innovation space, move some of our top innovation laboratories -- as a place where there could be a workspace to work with industry. And we're waiting for the Governor's Office and the EDA to, sort of, articulate how -- and DEVO, quite frankly, New Brunswick -- how this might move forward. We have ongoing discussions with many universities outside of the United States about how they can share in this project.

We have a huge amount of collaborations with industry. Rutgers has started two new startups in the last year. It has 82 active startup companies; more than half of them are in New Jersey, still to this day. And there is a whole variety of areas, including engineering, life science, and agriculture. Of course, within agriculture, you all know that we have the famous Turfgrass, which is one of our biggest licensed products; Yankee Stadium and Augusta, among many other venues.

But we've really done a lot more work in STEM; and of course, that's an area in the Big Pharma and biotech sector that I know very well.

In terms of awards -- you know, we have over 3,000 awards to our 1,300 research faculty that get them. The awards have gone up significantly since the integration with UMDNJ units, to create Rutgers Biomedical Health Sciences. I have a very strong partnership with our

Chancellors Strom, Cantor, and Phoebe Haddon in Camden; and again, there's lots of cooperation and recruitment for diversity. And actually, one of the strengths that we have in the Big Ten is the diverse student population that we actually have, and the talented population that we actually have. And that's grown out of the TAG and EOF programs that you've helped to fund, at the State level, for our in-state students, which is a really important aspect.

But we also want to retain-- Keep those out of those students who leave the state -- because they can afford to; we have a relatively wealthy state -- who will stay at our schools and actually help us innovate as well.

Again, there's lots of other data that I could share with you; I do have some information and takeaways. I don't need to read statistics, I think, to you.

It's a pleasure for me to be here and represent Rutgers and represent President Barchi. And I look forward to working with each and every one of you, in any way I can, to help innovation and business development moving forward in the state.

SENATOR CRUZ-PEREZ: Thank you so much for your testimony.

I have a question.

Some of you have mentioned already the impact that academic research has in our state. And this is for anybody -- are there adequate pathways that allow for the movement of academic and intellectual property from academia to the private sector?

CHANCELLOR MALLOY: Well, I can take that first.

Before I was Chancellor, I was the Senior Vice President for Research and Economic Development at Rutgers for the last five years.

So that's a very important concept, actually, to get right. And one of the frustrations I had working at Johnson & Johnson, as an example, was, working with higher ed institutions, even like Harvard. There are a lot of barriers to moving some of this technology and intellectual property assets into industry; or collaborations.

One of the things we've done at the University is really optimize our contracts group. We're certainly not giving away the store, but we're making it much more facile, working at the speed of business, to work with industry.

Another thing we've done with our licensing revenue -- we've siphoned a little bit of that off to create an evergreen fund called the *Tech Advanced Fund*, where we've actually been able to put \$5 million aside. This is revenue that comes not from tuition, not from anything -- student fees -- but comes from licensing revenues; part of the licensing revenues that the University gets. And we've actually engaged the private industry experts in a whole variety of different technology areas -- all of them, essentially, in New Jersey -- to evaluate our intellectual property, and tell us where we need to put some money to move intellectual property forward, to create new companies or to actually have some external investment in bringing in venture capital.

We've awarded almost \$3 million dollars to date, in about 30 different technology areas. We have 80 or more industry reviewers as a way to engage the various industries in what the technologies are doing here. And I certainly would be open to collaborating more with the other

universities in the room about how this could be done better. I know that that Dr. Bloom has as a very robust activity. I had been on the Board of the New Jersey Innovation Institute and had a lot of collaborations there.

I think we need to talk more to Rowan and Montclair about how we can do that better.

But again, this is a very important area; and Rutgers has tried to make a lot of progress here. And I think we have, and I think we could do better.

SENATOR CRUZ-PEREZ: Thank you.

DR. BLOOM: So, if you will.

So as Chancellor Malloy has said, we created-- The challenge is, it's a three-part puzzle, if you will. You take your R&D that many of your faculty and others are working on; you create intellectual property as a result of the R&D; and then you want to commercialize.

So the challenge before many of the higher institutions, for decades, is how do you get those three steps right; how do you own what you own; and then, how do you partner with business and industry.

And as Chancellor Malloy has said, we realize the barriers to doing that; and there are multiple. But if you create what we've called *NJII*, it's a platform to partner, and it's the portal by which-- And we've partnered, as you've already heard, with Rutgers and other universities, including Rowan, in bringing business into that door to gain access to our resources. And we found there are some easy ways to come to agreement as to who owns what, at the end of the day, by the factor of intellectual property. We're very willing to do it, and we've used each other's policies

and practices to do that. And we need to, as well, convince our industry partners about that as well.

We recognize the following -- this is the principle you bring to the table, over time -- we're a publicly funded institution, here to serve the State of New Jersey and its businesses and industries. The companies are profit-making; we respect that. But we need to make sure we recover costs -- we're not doing it with student tuition and fees when we partner -- and that we have a little future growth fund available to encourage faculty, students, and others to get engaged in the R&D, the intellectual property; and sit down with business and industry partners.

So some of you have come to visit, and have seen NJII in operation; we encourage you to do it more. I could talk about specific company relationships. We mentioned Celgene; we are now working with Celgene at Rutgers and Rowan, to build gene and cell laboratories that the companies and the universities will partner in on the campus.

So those are the kinds of-- You've got to create the capital that they want, the research that they want, and you need to find ways to overcome those barriers. And I think we've done it; and again, we've done it with partnership with the universities sitting here.

So, thank you.

DR. COLE: Celgene, actually -- we're doing work with Celgene, and have been doing work with Celgene, for years, in the labs. And they are a good example of a company that has reached out to universities to expand their capacity. And that's the kind of thing that we need to continue to do with increasing numbers of companies.

I would just add that this is expensive to do -- commercialization, moving these issues that my colleagues have talked about. This is not cheap to get done. And it is particularly a struggle to do it well if the institutions don't have the funding to be able to put to this. We cannot keep raising tuitions in order to get the bandwidth to do this kind of work.

SENATOR CRUZ-PEREZ: Thank you.

DR. HOUSHMAND: The challenge that the Institutional Research Institute has had in conducting translational research -- which is what you're talking about -- as President Bloom said -- is that the faculty can create the knowledge and the technology. And then you need to have funding behind that; but more importantly, infrastructure to get it outside to the real world to get business.

And this is a problem, you know, that especially young and up-and-coming research universities like ours have. What we have done -- we decided to combine these three together, where we have the Technology Park, which is a separate 501(c)(3), with 600 acres of land and buildings. We also have a separate 501(c)(3) Foundation, that created a venture fund, where we put \$5 million in order to invest in the intellectual properties of the faculty. And then we created -- we combined our research; I put all of the intellect that the Research Department creates under the auspices of the Research Director, to invest in research. Then we grow the venture fund from the Foundation; and then we got our Tech Park combined all together to create what we call *Rowan Innovation*. Now our faculty can have a home in the Department within the University, and can own their own company in Rowan Innovation. In fact, the Dean of Engineering, right now, has a

company that has created a disc for the back, for spinal problems. And the head of the Biomedical Engineering has a contact lens that delivers drugs. These are companies that they are running.

So we have tried to, kind of, shorten that problem; because otherwise it's going to be impossible for us to, really, market the technology that they create, because we are not in that business. We need to wait (indiscernible) become mature.

ASSEMBLYMAN JOHNSON: Okay, thank you.

One more; anyone else?

Go ahead.

CHANCELLOR MALLOY: Just one very brief comment.

You know, thinking of a way to incentivize the industries in New Jersey to invest in either venture funds, or a fund for higher education that could help us do this translational research, might be something to think about; a way to incentivize that, without having to spend State dollars.

ASSEMBLYMAN JOHNSON: Right; thank you.

Okay, we have some questions from the dais.

But before we take the questions, I'd like to acknowledge the Budget Chair, Assemblywoman Pintor Marin -- Eliana Pintor Marin.

Thank you for taking the time--

ASSEMBLYWOMAN PINTOR MARIN: Thank you for acknowledging that I was late. (laughter)

ASSEMBLYMAN JOHNSON: Let us move on.

Senator Oroho.

SENATOR OROHO: Thank you, Chairman; thank you Chairwoman.

First of all, Chancellor, I'm very happy to say I have a Doctor of Pharmacy who came through Rutgers Pharmacy -- my daughter, Kathleen -- and very pleased.

A couple of things.

Dr. Bloom, you mentioned a to-do list. I'd like to put, if we could, a to-do list onto some of our terrific institutions. We're here for business incentives. And I was the prime sponsor of the Bill, and we struggle between the idea of incentives, versus the idea of a competitive tax structure -- whether it be income tax, whether it be corporate tax, sales tax -- all the different kinds of things.

And one of the things I would love to be able to see is some sort of -- what is the interplay, the priority-- I firmly believe if we really had a competitive tax structure we wouldn't need the incentives as much. And I think the incentives are because of our competitive structure, and only gives us a seat at the table in order to discuss.

So I would really love to see if we could have one of our terrific institutions take that up and say, "Okay, where is the interplay between incentives versus competitive structure itself?"

I saw the light go on in the back of the room.

DR. BLOOM: So I'm not an engineer at NJIT; I'm an economist. So I have looked at this issue over the years; and it's a by-play of both.

The biggest impact is always taxes, and the reduction of taxes. There is no doubt about that.

SENATOR OROHO: Right.

DR. BLOOM: But in this kind of a state, in particular, where you have a very strong startup industry around the science and tech industries that are already here, you can't get those smaller startups going without the incentives.

SENATOR OROHO: Right.

DR. BLOOM: So yes, you always have to start on dealing with the tax structure, and how does that create incentive. But even-- So bigger companies do better with tax incentives; smaller startups do better with outright incentive opportunities.

SENATOR OROHO: Incentives.

DR. BLOOM: And now you have to look at the mixture of the business industry in the State of New Jersey -- who's doing what -- and you've got to be surgical in how you deal with incentives.

SENATOR OROHO: Very interesting point.

So the idea of where a company is on the-- You know, its maturation aspect -- new, versus a mature kind of company.

DR. BLOOM: Yes.

SENATOR OROHO: I agree. But is there any other research that we have further? I would certainly appreciate that.

The other thing, with respect to-- I love the discussion on the research and the transactional issues, particularly to the commercialization aspect; because it is expensive. But at the same time, somehow I always loved the way -- how do we price value; how do we actually determine value, to make sure-- Our companies are very smart, and when they know

they can get something that isn't going to necessarily cost them anything--
But at the same time--

So the partnership is important; and I do believe that those partnerships are absolutely critical. We're doing a lot with apprenticeships; we're doing a lot with our Bond Acts that we've recently passed.

But one of the things which I would love to see is-- Obviously, tuition is the interaction between, obviously, the revenue we get and the investments we have. And we all know we do-- I think there's-- Undoubtedly, all of us would agree that the idea of higher education -- we need more. We put a lot in K to 12; and then the issue of higher education investment.

But there's also the other side; you have the cost side. I have no idea -- and I should know, but I don't know -- how do we stack up against other institutions around the country, and how are they able to have lower in-state tuition, versus-- You know, there's an interplay on two aspects: the cost side, as well as the amount coming from investment from the states.

So I would love to see that kind of to-do list as well.

How do we stack up? I ask that question because I really don't know how we stack up against everybody else -- the major institutions, our competitors around the country. Or actually, not around the country -- around the world.

DR. COLE: I think the answer to that question has been out there for a while.

We underfund, we under-invest in all of our public institutions; and as a consequence, to make up for that underfunding-- And the

underfunding is there to see; you can look at all the national data. It's not a secret; it's out there and easy to see. And as a consequence of the underfunding, we have had to keep raising tuition to make up the difference. Because access to mediocrity is access to nothing.

SENATOR OROHO: I see that, President Cole; I actually do.

The measurement of us, versus the investment, is certainly-- I see that statistic all the time. What I would really love to see is how do we-- Because it's both; it's both, because tuition is -- tuition is the result of what the State's investing, versus what our costs happen to be.

Also involved, very much, is the whole idea of -- this value proposition on the transactional and commercialization. Because, quite frankly, I see that as a huge asset that we have. I actually think maybe it's underdeveloped, and I'd love to see how that would be developed more. Because, let's face it, it helps our students, it helps our employers, it helps our State, it helps everybody.

But I see a lot of statistics on the investment from the states, and what they put in. What I don't know is, how do we stack up versus-- Or how other states do it, versus -- on the cost side. Maybe we're good; maybe we're not. I just don't see those statistics, and I would love to be able to see that measurement.

DR. COLE: I would just add one point, and let my colleagues respond as well.

The other thing that the data shows is that we are extremely efficient in terms of the costs of higher education in this state. Not the price, but what it costs us to offer it. We are incredibly efficient in this

state. We are not just escalating costs and, therefore, having a problem; we are--

SENATOR OROHO: Do we have those studies; do we actually have those?

Through the Chair, maybe we could have them shared with us on-- And if there's a number of those kinds of studies-- Because I firmly believe in what gets measured, gets mastered; that kind of thing. You have to have those measurements and make sure we have the right measurements.

But it is interplay between the two; and I do think the real diamond in the rough is this whole transactional, commercialization value proposition of all the expertise that all your institutions bring for the value of the student and the employer.

DR. BLOOM: So just by way of the data points -- and I know you folks have seen this.

A couple years back, we had brought in a national entity called *NCHEMS*. And *NCHEMS* did a report for us; it was between the Secretary of Higher Education and the Presidents' Council. And where we rank -- we know where we rank, and President Cole has already talked about it -- we're typically in a top four or five for K-12. In fact, every time one of those kids leaves the state, the price that goes with them is \$275,000 that we have invested, as a state, in those K to 12 students.

But when you look at where we measure up against the other states for supporting higher ed, we're 30th or lower; so there's a significant mismatch right there. And it's not happened in the last couple years; it's been two decades.

When I came to NJIT, in 1990, the State of New Jersey was funding NJIT with less than 7,000 students -- the State operating support -- \$59 million. Today, it's \$34 million, while we're 11,500 students.

There are efficiencies; I would absolutely concur that we are very efficient. But there's also -- and, again, without trying to raise the issue of competition -- there are different costs attached to different disciplines. If you look at educating an engineer, the cost of that is \$30,000 a year. The state of Florida did a comprehensive study on the cost of disciplines. Other disciplines are half the price. So we also have to recognize -- what are we paying for and, more importantly, what are we paying for to respond to the business and industry demands of the State of New Jersey, first and foremost? It's workforce.

Let me just focus on this. Yes, we can create revenue; it's up to us to monetize everything at the institutions of higher education to keep the rate of tuition and fees as low as possible; and particularly, look at who are our populations of students today coming -- staying in state, and coming to our institutions. They're coming from, more and more, of the lowest socio-economic groups of students. And I'll take some credit for NJIT being number one in the nation for starting with students in the lowest quintile of family income; 15 years later, including 10 years employment -- in the nation -- we finished number one for moving more students -- 85 percent of them up into the upper quintile.

SENATOR OROHO: Congratulations.

DR. BLOOM: Thank you.

But again, we can't assume-- I'm not using tuition and fees to support the transactional work. And to stay in the transactional business --

somebody already said it -- it's expensive. So I'm not that keen about moving money back and forth.

What we can't do is, we can't continue to underfund higher education and expect a different result; whether we're able to keep the students in state-- So we've had an Honors College for 25 years. Those students come tuition-free; there are 780 of them now in our Honors College. Their combined average SATs, 1475; top 5 percent in the nation. They would not be -- they can go anywhere in the nation. Those are the kids who are going to lead the future industry and business growth in the State of New Jersey.

SENATOR OROHO: Please don't take me wrong, I'm not focusing on what that investment-- We all know that investment we're underinvested; that's a given there. We have to make sure that we look at all the different measurements.

And Dr. Bloom, you're 100 percent right. I mean, it has to be apples-to-apples. But we have to recognize that no matter where you go, in the country or in the world, there are other measurements out there that say, "Okay--" And we have to be honest with ourselves and look. And if, quite frankly, the measurements aren't good, we have to understand why they're not good. And if they are good, we also have to understand why they are good. That's my only point.

ASSEMBLYMAN JOHNSON: Doctors--

DR. COLE: Can I just add one point; and that is--

ASSEMBLYMAN JOHNSON: A quick point, because we have to move on.

But go ahead, Doctor.

DR. COLE: Okay; very quick.

I think you're absolutely right that we should be looking at the data; hard, cold data. Because it will tell us exactly the story that we need to understand in order to fix it. We're not hiding from the data; we should look at the data and all the measures.

And I would just add one point to what President Bloom just said. In 2006, our State appropriation was \$50 million; we had about 14,000 students. Today we have 21,000 students; more than 21,000 students, and it's \$35 million. That's not a number on which we have a lot of flexibility to do a lot of the things that we should be doing.

ASSEMBLYMAN JOHNSON: Assemblyman Chiaravalloti.

ASSEMBLYMAN CHIARAVALLOTI: Thank you, Chairman.

And first of all, I want to thank you all for your testimony.

As a member of the higher ed community, I have about a dozen questions I'd love to ask you; but I'm only going to ask you one.

But I do want to state that our higher ed institutions are anchor institutions; the multiplier effect they have -- not only on their local community, but on the state in general -- can be calculated in real dollars.

And I agree with you, Senator; but I will say that Dr. Cole's last point -- that the amount we invest in higher ed, per student, has significantly decreased. And I think that's one thing, as a state -- when we look at the data points, we need to look at what we're investing per student, because the money really hasn't tracked the student.

With that, though, I do want to return to why we're here today -- which is the EDA incentive program. And I don't know if you have an

answer; but I know, between the four of you, you have a lot of smart people that, maybe, can go find the answer.

Is there a best practice, or an example -- nationally or globally -- where a tax incentive program has been used to encourage and, almost, require the types of partnerships that you have all discussed today? Is there an example out there?

DR. HOUSHMAND: Well, at Rowan University, we have attracted a number of companies already to our campus; we have the land. And through tax incentives, they are coming in and creating jobs, and they're creating opportunities for our students to do internships and for our faculty do research.

And so in my view, at least, I can assure you that the tax incentive -- especially around research universities -- really is creating -- having an impact.

ASSEMBLYMAN CHIARAVALLOTI: No, I appreciate that, Doctor.

I guess what I'm looking for is, are there other examples of incentive programs in other states, where they have been used to encourage these sort of partnerships that you guys have all discussed?

CHANCELLOR MALLOY: So again -- and I don't know the details -- but certainly, what Massachusetts has done in the last 15 to 20 years, attracting companies and building those initiatives that are-- The Cambridge, Massachusetts area is just unbelievable, with respect to bio tech and-- I go up there and I see colleagues from New Jersey all the time, and they have certainly been-- Whatever programs they've put in place were

certainly very successful. And New York state, of course, has actually been very aggressive in some of these aspects as well.

But perhaps President Bloom knows more details about this.

DR. BLOOM: So those are two, right next door to us, and that we lose to, often, in competition for funding. To those I'd add Michigan, in particular. Michigan got hit the hardest during the Rust Belt Era, and the decline of that. So there, they've had a long-term track record of using incentives through taxes.

And I believe, although-- I've looked at Michigan; we've used Michigan in some of our discussions, in fact, and how they've created cooperative efforts across universities. They've done an outstanding job. I'd also go back, though -- I believe Pennsylvania, right on the other side of us, has some as well. I've read about it at the macro-level, but I'm not sure of the details. But you can start with, certainly, Massachusetts, New York, Michigan; and probably look next door. And they're all around us.

ASSEMBLYMAN JOHNSON: Assemblyman DiMaio.

ASSEMBLYMAN DiMAIO: Thank you, Mr. Chair.

To the group -- you talked about the out-migration issue.

Of the actual students who you have had at your institutions, who have graduated, the percentage who left -- did I hear correctly -- there is, like, 30,000, 10,000 leave New Jersey? Or maybe if you can give me a statistic on that.

DR. BLOOM: I think we may be mixing two sets of data.

We talked about the number of high school graduates--

ASSEMBLYMAN DiMAIO: Okay.

DR. BLOOM: --who don't stay in state; and about a third of them are the top performers, just looking at SAT scores. So that's the data we have access to.

Of the students who graduate from our institution, there are-- So the students are leaving with -- you know, some of you have heard this -- three job offers in hand. And I can tell you when we have a Career Fair -- we just finished a Career Fair last week. Google, Microsoft -- name the West Coast -- Silicon Valley, from Seattle all the way down to Palo Alto that's not there -- for two reasons. One, New Jersey is recognized as having very high-performing students through a -- again, again -- a well-funded K through 12 system. It's also recognized for diversity. I mean, we are a state that has an amazingly diverse population, K through 18. So a lot of companies-- So we get heavily recruited, fingers and toes, because we'd always do all of those follow-up studies we should do. I would say two out of every five of my students now, who are graduating, are leaving the state, because the competition-- You saw the data. The *Wall Street Journal* said, over a year and a half ago, we need 1.3 million, every year, new STEM employees; 1.3 million. In the nation, we're only creating 600,000. So everyone-- These companies are shopping where the students are, where the diversity is, and where these students are well-prepared. So they come to New Jersey.

ASSEMBLYMAN DiMAIO: So are you reaching out to the students who leave New Jersey for jobs in other states, to see why they've left? Could it be the cost of living here, versus the income? They could make the same money somewhere else and live for less in a less-expensive area?

DR. BLOOM: Again -- and it's going to vary -- I can only talk about the STEM students we prepare, right?

New Jersey is still-- When you look at STEM states, we usually come in fourth to fifth, for a whole host of reasons. New York just became number one, California is two, Massachusetts is three. A New Jersey BIA study just said Pennsylvania has recently eclipsed us, so we're a fifth STEM state -- innovation, science, technology state.

So the students -- my students simply go where the industry is, and where the opportunity is. We've seen many, many more students leaving New Jersey than we've ever seen before, who are graduating from NJIT.

ASSEMBLYMAN JOHNSON: Okay; last question.

Oh, sorry, Doctor.

ASSEMBLYMAN DiMAIO: I just have one more follow-up, Chair, if I could.

DR. COLE: I would say, I was just going to say that is not the case at Montclair State University.

Our students, by and large, stay in state; and they do that for a number of reasons. We do a lot of other kinds of programs; we're not as focused on engineering, and so forth, obviously, as NJIT. So they go into a wide range of professions in-state; and the majority of them -- vast majority of them stay in state. If they go out of state, they go to New York City, where they may go to start their careers in finance and other business and industries; but they tend to live here, and still maintain their roots here, and they are likely to come back here.

ASSEMBLYMAN JOHNSON: Mr. DiMaio, did you have a follow-up?

ASSEMBLYMAN DiMAIO: I'm just going to throw this out, because we need to think about this. It fits in general with the incentive program, and everything we have -- and that's the Amazon issue. We offered \$7 billion; New York offered \$3 billion. How did they measure the value of \$4 billion less in money? Could it be our regulatory structure, our tax structure outside of the incentives, or workforce?

But I wake up in the middle of the night thinking about -- why did they leave \$4 billion on the table?

DR. HOUSHMAND: I don't think they did that, though.

ASSEMBLYMAN DiMAIO: (Indiscernible).

DR. HOUSHMAND: That wasn't the case, though. Because the \$7 billion that we were offering them was for the entire 50,000 jobs; whereas, they located in two places, 25,000 in each. So they were getting \$3 billion from New York, and an equal amount from -- I think it was Maryland, right? Is that where they are?

DR. BLOOM: So I was on that team that worked with Amazon, on behalf of New Jersey.

First of all, what President Houshmand said is absolutely right. We were talking about 50,000; they divided it, as you know.

At the end of the day, Amazon went to New York because of -- I call it *Bloomberg University*. You know about Cornell and Technion -- they've developed something on Roosevelt Island, right off of -- part of Manhattan, actually; because of Roosevelt Island. What attracts business and industry today is the R&D you can get from within that state. So

watch where the companies are going. So Roosevelt Island -- and when Michael Bloomberg was Mayor, \$80 million went right -- hard cash, right into attracting Cornell and Technion as a partnership. You get those two powerhouses together, with that kind of money -- that's why Amazon was interested, first and foremost, with New York City. Their access-- It's a graduate education-focus only, on Roosevelt Island; it's not undergraduate.

So they followed the bigger investment than the tax incentive. And it was split anyway, as you've already heard.

ASSEMBLYMAN DiMAIO: But was New York at \$6 billion then, before they--

DR. BLOOM: No, no, they always were at-- But they were going to give the \$3 billion regardless.

ASSEMBLYMAN DiMAIO: But we didn't know until they made the decision to site in the two different places. We were making the offer as it was based on the entire 50,000 jobs being at one site, not two.

DR. BLOOM: Again, I wasn't in the inside of how they came up with the amount of money. But any company today -- it's going to be some incentive; regardless of how some of the public doesn't like it, you have to incent some of it. But you need the infrastructure; and the infrastructure, for Amazon, going to New York, was the R&D capacity that was being developed.

And it wasn't only Roosevelt Island. They put money into northern Manhattan, which was Columbia and group; and they also put money into southern Manhattan, which was NYU and group.

ASSEMBLYMAN JOHNSON: Okay; Mr. Auth.

ASSEMBLYMAN AUTH: Thank you, Chairman.

DR. BLOOM: Thank you.

ASSEMBLYMAN AUTH: First of all, I'd like to thank you folks for coming in today to give our Committee -- that is trying to collect information -- some great insight.

Something that struck me when I was listening to some of the testimony. President Cole and then Chancellor Malloy -- you both spoke of keeping people, or companies, in the state. President Cole, you talked about keeping students in the state; keeping them here to work here. And I don't think there is anybody on this panel who disagrees with that.

And then Chancellor Malloy, you talked Big Pharma leaving.

So there seems to be a common thread here between those two specific things that were mentioned. Can you help us identify what it is that's creating that situation where students, who are in STEM programs leave; companies that would hire STEM graduates are leaving also.

CHANCELLOR MALLOY: So I can speculate a little bit, coming from the pharma side of things.

And pharma, I think, is not *leaving* leaving; they just listen to the McKinseys and Accentures that told them all about what Massachusetts is doing, and put a lot of R&D up there next to Harvard; and it's a bit of a herd mentality, quite frankly. And I come from the inside of pharma, so I kind of know that a little bit.

You know, New Jersey, in some respects, is its own worst enemy, with respect to marketing the state, and marketing the great stuff that we have here. You know, we have outstanding K through 12 -- and we all talk about that -- and it's outstanding. You know, if you live in other

states, you have to send your kids to private school; and you know that. That investment is done in the state, and done very well.

We have outstanding universities. If you put the research output of our universities together, including Princeton, we're significantly more than the Colombias and the NYUs in New York, actually; but nobody knows that. The marketing at Rutgers is abysmal, and that's a low -- and that's something I'm going to invest in, because it's easy. And the Big Ten opportunity will help us significantly for this.

I think the State actually, you know, hasn't done a great marketing campaign since Governor Kean was Governor. And I think that's a really important aspect of why the Amazons, perhaps, didn't look twice at us, actually.

So there's a lots of good things that we can do, I think, that don't require a huge amount of tax incentives; although they certainly have helped, and it's helped the Accentures and McKinseys -- you know, coax companies to look again.

We have an infrastructure of amazing talent. Many of my pharmaceutical colleagues didn't want to go to Massachusetts and started biotech companies here in New Jersey. But it's not just the biotech sector. Raytheon -- the CEO of Raytheon Corporation is a Rutgers' alum. He needs to hire 2,000 engineers a year, and he would love to hire them from New Jersey schools, including ours and NJIT, because of our diversity and our talent. But we don't tell that story well enough.

So those kinds of minimal investments, I think, could go a long way to create -- to fix some of the big problems.

ASSEMBLYMAN JOHNSON: Okay, thank you.

ASSEMBLYMAN AUTH: One last question, Chairman, through you?

SENATOR CRUZ-PEREZ: One more, so we can move to the next speaker.

ASSEMBLYMAN AUTH: Very quick.

SENATOR CRUZ-PEREZ: Yes.

ASSEMBLYMAN AUTH: You mentioned, in testimony today, that there were barriers that you were experiencing. Your students were experiencing barriers with regard to getting scholarships and funding; the schools were experiencing barriers to getting funding to perpetuate the schools' activities and seek out other students who would fit into your model -- where you're taking them from a very low income and shooting them to the stratosphere; as you mentioned, Dr. Bloom.

Can you tell me, in some detail, what the barriers are, from your perspective, and what we can do to help you break them down?

DR. BLOOM: So this year, in order to help recruit students, retain students, and graduate students, we spent \$36 million of institutional funds for scholarships. That is the biggest barrier for the kinds of students all of us are recruiting.

You've heard us talk about the diversity; increasing numbers of lower socio-economic young men and women, who now see the value of higher ed. But we can't keep them if we don't scholarship many of them, either for performance academics or based on financial need.

So we, at one time, had something in the State of New Jersey called *OSRP*, the *Outstanding Student Recruitment Program*. It went by the wayside, several years ago. So that automatically took us out of the

statewide program that got a lot of recognition, in-state and out-of-state -- talking about marketing -- you took that off the table. We stopped marketing to some of the highest-performing students in the State of New Jersey when OSRP went away.

So the barrier for-- And when you fund students, they will-- And companies, in particular -- this is not only a partnership with the university and the State; it has to be a partnership with business and industry. If business and industry want the talent, put your name on a scholarship program. You will then offer the students an internship; and when they graduate, they won't look to go to the West Coast or the Midwest. They'll look to stay here, because they have an allegiance to you, who have funded some of their undergraduate education.

So we also need to bring this partnership of business and industry, as well as the State, as well as our academic institutions, in funding our students to come to our schools, stay in our schools, and graduate from our universities.

DR. COLE: I would like to second that.

Let me put it in the simplest terms. Higher education is no longer affordable to New Jersey students; it is not affordable. Our students are struggling to come to the institutions. When they come to Montclair State University, because the TAG awards they get are so low -- in most of the public institutions -- so low, compared to other awards that go elsewhere, they have to work two jobs. Well, if they're trying to study biochemistry and work two jobs on the side in order to come to the university, this is not in the State's best interest. They're not getting through as fast as they should; they are not getting through as well as they

should. How can they, when they are worried about how they're going to pay the next tuition bill, and they're out working at Target, or somewhere else?

It is absolutely the case that we must reform the TAG program; we must, if we want New Jersey higher education to be affordable.

And President Bloom is right -- and I think I said this earlier as well; I think we've all said it -- the business sector must be a part of the solution; they must. The investments made by the State -- whether it's in TAG, or in supporting our institutions -- must be leveraged by additional support from business and industry. And we've all said all the ways in which they can do that, and that will be mutually beneficial. And it will grow a sense of loyalty to New Jersey, and a sense that this is a good place to live, a good place to go to higher education, a good place to work.

And that's what we need; we need to do this all together. We can't do it alone; you can't do it alone, as government. And business and industry can't stand on the side and wring their hands about whether or not they have an adequate workforce. Alone, it won't get us there. We've got to do it all together, and we can; we can. We just need an organizing force that brings us to the table together to get this done. And we need to look at the facts -- the facts about TAG, the facts about appropriation, the facts about costs, prices, the facts about affordability.

ASSEMBLYMAN JOHNSON: Okay.

DR. BLOOM: Thank you, Chairman.

ASSEMBLYMAN JOHNSON: You're welcome.

I was going to release you, but I have one quick question; I'm going to butt in the line, and then we'll move on to the next topic.

Quick question, kind of off-topic: Chancellor Malloy, how many international students do you have?

CHANCELLOR MALLOY: How many--

ASSEMBLYMAN JOHNSON: --international students do you have?

CHANCELLOR MALLOY: I can't give you the exact number.

ASSEMBLYMAN JOHNSON: Approximately.

CHANCELLOR MALLOY: Percentage wise, it's about 7 percent. So, you know, it's several thousand. I don't know if anybody on my team has that number.

ASSEMBLYMAN JOHNSON: Okay.

Rowan?

DR. HOUSHMAND: Far less than 1 percent.

ASSEMBLYMAN JOHNSON: Okay.

DR. COLE: We used to have about 1,000; we have only a couple of hundred now. The environment for bringing in international students has very much affected us.

ASSEMBLYMAN JOHNSON: Okay.

DR. BLOOM: So I've got about 1,600 -- that's about half -- almost all at the graduate level. Without the international students, and the benefit we get from that, financially and intellectually, you will see a decline in our research productivity.

ASSEMBLYMAN JOHNSON: Thank you, sir.

And thank you.

SENATOR CRUZ-PEREZ: I'm sorry; one last question from Assemblywoman Pintor Marin.

ASSEMBLYWOMAN PINTOR MARIN: Good morning.

Thank you all for being here.

I just kind of want to circle back to a couple of things that Senator Oroho had started on -- and actually, Assemblyman Chiaravalloti -- with regards to the real hard core incentives.

And this is in particular to NJIT and Rutgers. Because if you look at the downtown area -- specifically, the Halsey Street area, all of that -- I like to call it our *college campuses*; that's kind of how we refer to it -- you know, the incentives that have really changed that downtown area and specifically some of the corridors, for Newark, particularly-- Dr. Bloom, do you see a direct correlation between -- even with your students and your applications that you receive -- what that area now looks like? And obviously, the investment that, also, your university and Rutgers has put into that? That would look completely different today had not some of the people taken the incentives to-- And we have a lot of small businesses that have started and that are really blooming. And now you actually see kids walking around; whether it's during the day, whether it's at nighttime.

Could you, just very quickly -- I know we're running out of time -- can you just give the rest of the Committee kind of the outlook that I have, and that you have, of what that area looks like right now?

DR. BLOOM: So just a couple of quick numbers.

We reported on the economic impact of NJIT back in 2016. We redid that study recently; and in the State of New Jersey, it moved up to \$2.8 billion; \$2.8 billion; over, now -- over \$900 million of it is just in Newark. And the primary driver -- I am telling you, folks -- is the 2012 Bond Act. What Rutgers-Newark was able to add by way of facilities, and

we were able to add by way of facilities -- one, we can increase our capacity. We look a lot better when you come to our campuses. We now have over 55,000 faculty, staff, and students in the core of Newark. And Newark is now an education town -- higher ed, as well as we see improvements in K-12 currently.

So it has just enlivened the whole area. And you'll see the restaurants popping up. There are just strings of restaurants -- not all of them we would probably eat at -- but there are strings of restaurants that the students are eating at. I, today, when we-- Pre-2012 -- we looked at the data -- we had under 500 graduates, recent graduates, living in the city; under 500. We just looked at the data for the Mayor the other day -- it's over 1,200. So along with what we're building, developers-- Newark is clearly a hot city these days, particularly as those across the river are getting increasingly costly.

There is no doubt about it that higher ed institutions are anchor institutions -- somebody said it earlier -- and we do drive economic development. And just walk around Newark these days, all hours, and you'll see streets populated.

ASSEMBLYWOMAN PINTOR MARIN: Without these incentives, is Newark going to be a hot city any longer?

DR. BLOOM: Again, we know--

ASSEMBLYWOMAN PINTOR MARIN: And I don't mean to put you on the hot spot, Dr. Bloom. I respect you tremendously.

DR. BLOOM: Thank you.

We've talked about it. This is a partnership; so along with the money that the State put into our facilities, we now have increasing-- You

know, we could take Audible; Panasonic came to Newark, half a dozen years ago, because they knew they could get the workforce they needed right in downtown Newark. Prudential put up the new tower in Newark, because it's a workforce issue. I can't create enough actuarial scientists-- Every actuarial scientist who comes out of our undergraduate program, Prudential is there, in the sophomore year, offering them internships and co-ops; paying them handsomely. And you can look at all of the scholarship money we have; a lot of it is from those companies.

It's a mixture of-- Industry is a partner, the community, the Mayor -- Mayor Ras Baraka has done an outstanding job as being the face of Newark these days; as our legislative delegation has been -- both Congressional and New Jersey, Assembly and Senate-- (laughter)

And the higher ed -- Newark is waiting, now, a bit, on K-12 ed. But the publicly supported charter schools have helped Newark a lot. I can't not say that; excuse the double negative.

ASSEMBLYWOMAN PINTOR MARIN: Thank you, Dr. Bloom; and thank you all for being here. Because your institutions -- whether it is Montclair, whether it is-- All of you have put in tremendous work, because our institutions, years and years ago -- right? -- "Yeah, everyone; yeah, we're just going to go to the State school." That's not the same anymore; that's not how parents, that's not how our constituents who are having their kids apply for colleges now think about our State institutions; and that says a lot about the leadership that all of you send.

Thank you.

SENATOR CRUZ-PEREZ: And I just want to echo what Eliana just said.

Camden City has flourished because we have all these universities working together with the City of Camden. We have Rutgers, we have Rowan, we have Camden County College, we have a medical school, we have nursing schools. And the colleges -- working together with the businesses, and the City, and the Municipality -- have made a tremendous impact in Camden City.

Thank you for your commitment, and I want to thank you for coming this morning on a Friday to testify. Let's keep working together for New Jersey, and I appreciate you coming this morning.

ALL: Thank you.

ASSEMBLYMAN JOHNSON: Ditto.

Okay, next up we have, from the New Jersey Council of County Colleges, Aaron Fichtner, President.

SENATOR CRUZ-PEREZ: And also our former Commissioner of Labor.

Good to see you, sir.

A A R O N R. F I C H T N E R, Ph.D.: Thank you very much; and it is wonderful to be here.

Thank you for the opportunity -- Mr. Chairman, Madam Chairwoman; thank you, members of the Committee -- to be here.

I'm Aaron Fichtner; I'm the President of the New Jersey Council of County Colleges.

And I just wanted to start by thanking all of you, on behalf of all of our community colleges, for the tremendous support that the Legislature has given to our community colleges over the years.

I want to thank, also, the panel before me. We have had tremendous partnerships with our four-year institutions; and those are critically important for the future of our state -- the community college/four-year college partnerships.

And I want to thank the members of the business community who are here, who have been great partners with community colleges as well.

So the Council of County Colleges in New Jersey works to strengthen and support the 19 community colleges in our state. Our 19 community colleges serve over 300,000 people every year; award about 22,000 degrees and certificates every year. And it's important to note that they are comprehensive institutions that offer a path to an affordable associate's degree -- a high-quality associate's degree; a path to a baccalaureate degree, through a transfer to a four-year institution.

But there are also community colleges that offer programs that are relevant to the local needs of the business community. And so it's that real, comprehensive role that is critical, I think, for what the community colleges do.

And our community colleges have incredibly strong partnerships with high schools, four-year institutions, colleges, universities, employers, and community-based organizations.

So it's an it's an honor to be here with you here all today to talk about economic growth, and the role that community colleges and higher education plays in that effort.

I'll start by saying that we are now completing a nine-month effort in the community colleges to develop a bold and ambitious vision for

the future. We call it our *Vision 2028* effort. We've had conversations and meetings with over 600 community college leaders, partners, and stakeholders; and we'll be releasing a report in April that we believe will position our community colleges for the future, to be able to continue to play the critical and vital role that they play.

So really, I know we're here today to talk about economic growth. And I want to make a couple of key points, and then I'm interested in answering any questions that you all have.

So I think that we all agree -- and the panel made a clear point -- that one of our most important competitive advantages in New Jersey is our skilled, and trained, and well-educated innovative workforce. And I believe that we have a real opportunity here to reclaim the mantle of being an innovation state, if we all find the right ways to work together.

And so the history of New Jersey, and our economy -- and we all know it well -- is certainly very much about having a skilled innovative workforce; from Thomas Edison to Bell Labs, and all the other history.

So what I want to say today is that we have more work to do to continue to position ourselves for the future. So it's important to note that while we are a very highly educated state -- 52.7 percent of our adults in New Jersey have some education after high school; they have some post-secondary credential or degree -- we are above the national average of 47.6 percent -- but we rank 7th in the country. We now rank below Connecticut, Massachusetts, Minnesota, Virginia, Washington, and Colorado; and most labor economists and business leaders would tell you that we need to dramatically increase the number of adults in New Jersey that have some education after high school. That could be a post-secondary

credential that's of value in the labor market; that could be a two-year associate's degree; that could be a four-year degree, or a master's degree, or beyond.

And it's also important to note that we have incredible disparities in our state in educational attainment that we need to address. So while 54.9 percent of white New Jerseyans hold a post-secondary degree or credential, 32.9 percent of African Americans in New Jersey, and 25.5 percent of Hispanic New Jerseyans have a post-secondary education, or credential, or degree.

And there is great disparity among our counties, as you all may know. Morris County, Somerset, Hunterdon -- they all have educational attainment levels above 60 percent; yet Passaic, Salem, and Cumberland have degree-attainment rates below 35 percent.

I think we all would agree that there is a strong relationship between education and an individual's ability to have a family-supporting career. Certainly from my time at the Department of Labor and Workforce Development, it's clear that unemployment rates are lower for people with higher levels of education, and earnings are much higher for people.

So I think we need to make a commitment here -- a recommitment to dramatically increase the number of people in New Jersey who have an industry-valued, post-secondary credential or degree; and to make a recommitment to achieving the goal that has been set by our Department of Labor and Workforce Development, our office, the Secretary of Higher Education, and our State Employment and Training Commission, of reaching the goal of 65 percent of our adult population

having some education after high school by 2025. And I think that we can do that if we work together in creative ways.

I want to make five brief points, and then am available to answer any questions, and discussion.

So I think one point is that we need to continue to do the work that we're doing in community colleges to expand credential programs. So these are programs that are sub-associate's degree levels, but they are credentials that are of value in the labor market. Our community colleges offer a lot of programs on the non-credit side of the institutions around credentials, and are increasingly offering credentials as part of the associate's degree experience.

Our Department of Labor and Workforce Development has developed a list of industry-valued credentials; 200 credentials that they believe are in need by employers in the labor market. And we're going to continue to use that list to make sure that we're offering the right credentials in our community colleges.

The second point I want to make is that while we're focusing on work force and credentials, we also need to remember that, in a rapidly changing, technologically driven economy, our citizenry is going to need to have the skills to solve problems, to think innovatively, to solve -- to work in teams, and to communicate clearly. And so while we need to focus on the workforce needs of our population, we also need to focus on the core education skills; and I believe that our community colleges do both of those things very, very well.

I want to note that 45 percent of all students who graduate in New Jersey from a four-year college or university in our state have attended

a community college; have either achieved an associate's degree or some credits. And so it's clear that we are doing a good job at our community colleges in making sure that our students have a path to a four-year education.

The third point I would make is that we need to continue to strengthen the pathways from high school to community colleges. Our community colleges are working very closely with high schools to make sure that high school students are prepared for a college education, and are on a path to getting a credential. The work that we have done with vocational high schools, in particular, is amazing and inspiring. The Securing our Children's Bond Act and bond will be incredibly important to our ability to expand those partnerships and expand those programs that prepare young people and students for programs that lead them to a good-paying, family-supporting career.

The fourth point I want to make is that we cannot forget our adult population. So 47.3 percent of adults in New Jersey have no education after high school; and that is a major concern. As you all may know, we have nearly a million households in New Jersey that are working poor; they're above poverty, but they are challenged every day. And those are the types of individuals that we need to find opportunities to get them back to community college, to get a credential or a degree that will help them to get a career and a family-supporting wage.

The last point I'll make is that we need to continue to find ways to reduce the cost of higher education. So I want to talk, very briefly, about the Community College Opportunity Grant Program. I want to thank the Legislature for last year's budget, for allocating \$25 million for

the pilot of that program. That's a last-dollar scholarship that allows students in households making less than \$45,000 a year to go to community college and not have to worry about the cost of tuition and fees. Now, the cost of going to college is far greater than just tuition and fees; certainly housing, transportation, food, and the other costs of going to college, and that's not included. That's the students' responsibility, so they have some skin in the game in going to college. But we're seeing great evidence -- initial evidence from the pilot program that a good number of people are really being helped on their path to a credential and a degree.

The Governor's proposal to include \$58.5 million in this year's budget is an important step forward. It would expand this program to all of our community colleges, and would allow us to serve up to 18,000 students. It is a program that is flexible enough to allow adults returning -- who are working -- to be able to take six credits, and not have to worry about the cost of a community college education; and to help students who are coming right out of high school be able to have an affordable path to a credential, an associate's degree; and, ultimately, to a bachelor's degree, if that's what they choose to do.

So again, thank you for the opportunity to be here to talk about this important topic. And we look forward to continuing to build partnerships between community colleges, and State government, and the Legislature, and the business community, high schools, and four-year colleges and universities to make sure that we have the most skilled, innovative, productive, workforce in the country and the world.

So thank you.

SENATOR CRUZ-PEREZ: Thank you, Dr. Fichtner.

I do have a question.

What are the county colleges doing to make sure that we train a workforce to meet the needs of the businesses in New Jersey?

DR. FICHTNER: So all of our community colleges have industry advisory groups at the program level; and so they are in constant contact with their local business community. I think that's one of the strengths of having locally driven community colleges -- is that they are actively engaged and working with their business community.

We have a Workforce and Economic Development Consortium, that's part of our Council of County Colleges, that allows the 19 colleges to work together and interact with business in a more unified way. And we're going to continue to find the right areas of opportunity for those kinds of partnerships in the future. It is critically important that we know that we're offering the credentials that are valued by employers.

SENATOR CRUZ-PEREZ: Yes, because I hear that nationwide we have a shortage of skilled labor workers. And I want to make sure that-- What is New Jersey doing to close that gap; that we make sure that we prepare these people for the businesses or the jobs that are available in New Jersey, but we don't have the skilled people to take over those jobs?

So are we doing something to close that gap in New Jersey?

DR. FICHTNER: We are; and I think there's a lot more that we can continue to do together. The Department of Labor and Workforce Development's programs around apprenticeships is a good example. We've just received a grant of \$900,000 from the Department to expand apprenticeships in community colleges. It's a great example of partnerships between business and industry, and our community colleges, to make sure

that students of all ages are learning the skills that are valued in the labor market.

SENATOR CRUZ-PEREZ: Thank you.

Does anybody have a question for Dr. Fichtner?

ASSEMBLYMAN JOHNSON: Dr. Chiaravalloti.

ASSEMBLYMAN CHIARAVALLOTTI: Chairman, it's not so much a question for Aaron; but Chairwoman, to your question.

I think it is really important for the Committee to understand the role -- which I think is an excellent question -- the role of community colleges. Each and every one of the 19 community colleges in New Jersey has created, both as a consortium and individually, this workforce development program. Now, I admit I am completely biased, because of my role at Hudson County Community College (laughter), but there are two things--

ASSEMBLYMAN JOHNSON: Full disclosure.

ASSEMBLYMAN CHIARAVALLOTTI: Full disclosure.

But the two programs that I think are potential models for the State-- One is, the Community College in Hudson is going to be partnering with the Aspen Institute to create capacity within workforce development; actually, create a Workforce Academy, working with both private and public partners.

And then Eastern Millwork, which is a Jersey City manufacturing entity, has refused State money -- Assemblymen Auth and DiMaio would appreciate this -- has refused State money. And their ownership has invested directly with the Community College so that they could organize their own apprentice program in this high-tech of woodwork.

And I would encourage and invite all my colleagues to come up and visit Eastern Millwork, because I think it's exactly what New Jersey needs -- where we have the private sector determining what skills they need to have, working with a community college to develop a curriculum in order to develop those workers. And the students who participate in that apprentice program will actually not only receive a salary, but health care during the three-year program. And I think there's a lot of exciting stuff happening in this sector.

Thank you, Aaron.

DR. FICHTNER: Thank you, Assemblyman.

ASSEMBLYMAN JOHNSON: Any other questions or comments?

SENATOR CRUZ-PEREZ: I do have one more, if no one else has a question. I don't want to take all the time.

ASSEMBLYMAN AUTH: Just one quick one, Senator.

SENATOR CRUZ-PEREZ: Go ahead, Assemblyman.

ASSEMBLYMAN AUTH: Thank you for the testimony.

I just wanted to ask you a quick question.

I had spoken with someone from Delta Airlines the other day. And since Assemblyman Chiaravalloti had mentioned the Millwork, that then begged the question for me.

She mentioned to me that there was a shortage of airline mechanics. And I was actually at Bergen Community College in Bergen County; because I am a pilot, I was actually looking at their Aviation Department, and their simulators, and some other things.

So could you expand on that just a little bit for me, if you have any information about it?

DR. FICHTNER: I don't have specific information about the mechanic issue; I know, from my time in State government, that that's always been an issue.

I think the challenges of the cost of creating programs and equipment have been hard to meet. But we are certainly up for the challenge of trying to find how community colleges can help solve that problem, and a lot of the other skill problems.

So we'd love to follow up with Delta Airlines; and if you have a contact there, we would love to be able to start a conversation with them about what we could do together.

ASSEMBLYMAN AUTH: Thank you, thank you.

ASSEMBLYMAN JOHNSON: And I believe there's a discussion in Atlantic County of trying to put a school there; because it's close to the FAA facility down there.

And Assemblyman Auth is a pilot; who knew? (laughter)

You're a pilot?

ASSEMBLYMAN AUTH: God help us all. (laughter)

ASSEMBLYMAN JOHNSON: Wow.

Anyway, realizing that you are trying to address the shortages, in my District, in the 37th District, the City of Englewood, they have a machine shop -- a manufacturer. And they are trying to find skilled laborers to go in there, right? They are partnering with Bergen Community College, and also the vo-techs, to try to get these people -- try to develop a

curriculum so these young folks can then work in these machine shops throughout Northern Jersey.

DR. FICHTNER: There are a lot of exciting things going on at all of our community colleges. And I would just extend, on behalf of the colleges, an open invitation to all of you to come to the colleges and see those innovative programs, and to meet some of the students who are really being -- whose lives are being changed and impacted positively by the Community College Opportunity Grant.

So that's an open invitation anytime.

ASSEMBLYMAN JOHNSON: Chairwoman.

SENATOR CRUZ-PEREZ: I just want to ask you a question, because I know you are a guru in economics, Dr. Fichtner

What is your opinion -- which industry provides the greatest return of investment in New Jersey?

DR. FICHTNER: From an economic development standpoint? That's a good question.

You know, obviously the STEM-related industries, the innovation-related industries, from the pharmaceutical industries to telecommunications, to a lot of the other high-tech companies-- I mean, I think those are ones that tend to have an anchor role to play, in the sense that they hire a lot of workers, but they also hire a lot of subcontractors and partners. I think we've seen that in the pharmaceutical industry, in particular.

But we've had a long history of strength in pharmaceuticals, and telecommunications, and technology. And I think we need to continue to nurture those industries, in particular; while not forgetting the important

role that we play in transportation, logistics, health care, retail, hospitality, and tourism. Financial services I would add to that, as well, as an important industry for our state.

We have a lot of strong economic institutions to build on, and I think we can return to having our state at the forefront of the innovation economy if we make the right decisions and the right investments.

So thank you, Chairwoman.

SENATOR CRUZ-PEREZ: Thank you so much for that answer.

Anyone else? (no response)

Well, Dr. Fichtner, thank you so much for coming this morning and testifying in front of us.

Thank you.

DR. FICHTNER: Great; thank you all.

SENATOR CRUZ-PEREZ: Now, we're going to bring the New Jersey State Chamber of Commerce -- Tom Bracken, the President and Michael Egenton, the Executive Vice President -- to testify.

Good morning, and thank you for coming this morning.

T H O M A S A. B R A C K E N: First of all, thank you to both Chairs, and the Committee members, for holding this hearing today.

I think it goes without saying that what we're talking about here, and the panacea to every problem in the State of New Jersey is generating more economic revenue; that's the bottom line of all this. Everything you've heard from the higher ed people, and you will hear later -- it's about revenue and allocation of revenue.

And without economic development revenue, without job growth, without business growth, anything that the State has done over the last year to create the fair economy does not have a chance of being accomplished. So it is extremely important that the health of the business community is acknowledged, the health of the business community is nurtured, and that's what I'll talk a little bit about today.

Secondly, I applaud you for holding a hearing that is exploratory. Very few times, in my time in Trenton, has there been a hearing that's exploratory; as opposed to a hearing that is after the decision of the Committee has already been made. So I applaud you for having this hearing; we need to have more hearings like this around the state, and on other topics.

I know you're all probably looking for some kind of magic elixir or a silver bullet to solve our economic problems. But there are none; there are absolutely none in the State of New Jersey, nor are there any in the country.

And even if there were, and we were to embark on that mission, it would be a mistake. Because the fundamentals and the foundation of our economic system in New Jersey are not at a point where they can sustain any more innovative growth or any more additional aspects to the economy.

We have fallen very much behind our competitor states. We have not focused on a lot of issues that need to be focused on to have a very basic, strong, business economy; and I'll get into that in a minute. So therefore, to put any addition on what we have today would absolutely crush the State of New Jersey and, again, would divert resources that are

needed around the state for new initiatives, which I think would not have anywhere near the potential that they are purported to have if we had a healthy economy.

The business community, right now, is not in a good place. The business community has been ignored, taken for granted, taxed at an increasing rate, overly mandated, and vilified without justification, in many cases.

We have hundreds of thousands of businesses operating in the State of New Jersey that have been here for many decades. They are the backbone of our economy, and they have been ignored. If they are nurtured, they can bring our economy back. Most of these companies have not been able to take advantage of any tax incentives that have been offered over the last bunch of years; the last couple of decades. Most of these companies have borne the brunt of paid sick leave, paid family leave, pay equality, the \$15 minimum wage; and God forbid if the millionaire's tax had passed.

It is past time to reverse that, and time to have a more focus on these companies, and their issues, if we hope to have any kind of economic recovery.

Doing that, and focusing on these companies, would allow us to be able to say something we haven't been able to say in many years in New Jersey: This state is open for business. This state, right now, is not open for business. That also would be the absolute best marketing tool we could have for attracting new businesses from outside the state. It's one thing to offer incentives; it's another thing to show that the economic environment and the business community in the state is vibrant, is healthy, is pleased

with where they are. That's what attracts business to a state; not necessarily incentives. The combination of the two are powerful; but if I had to pick one over the other, I'd pick a vibrant economy where the businesses are happy as the best marketing tool we could possibly have.

Let me give you a few specifics of the things we need to invest in.

Infrastructure: A couple of years ago many of us were very involved in the renewal of the Transportation Trust Fund. The 23-cent gas tax was increased; \$2 billion a year was collected. That money was to be put into the infrastructure, which would have created jobs, would have created a safer environment for all of our citizens, would have created a more competitive environment in the State of New Jersey.

That money is not being used. I don't know where it is, but I know that \$2 billion a year is not being put into our infrastructure; and look at the condition of our infrastructure. Our infrastructure today is no better than it was when we instituted that gas tax. Something has to be done. That's a major, major economic initiative that could be taken on right now, because it would have a great impact on job creation and the trickle-down effect of job creation.

The second part of infrastructure that I think has to be talked about is that maybe the best sector of corporate citizenship in the State of New Jersey is our utilities. Our utilities, right now -- every major utility in the State of New Jersey wants to invest their own capital in the State of New Jersey to make our state more energy reliant, to make our state help with redundancy and reliability. None of them are being able to do what they want to do. And, in some cases, these companies are part of multi-

state conglomerates; and if we don't do it in New Jersey, that money's going to be diverted to Pennsylvania. And that's a competitor state, that will have a stronger infrastructure than ours, when we could have had that same infrastructure enhancement in the State of New Jersey.

Our utilities need to be listened to; our utilities need to be given a fair shake; our utilities need to be able to invest the money they want to invest in the state of New Jersey. That's a huge mistake we're making right now.

Taxes: We can't continue to increase taxes. We have to find a way to reduce taxes. There's a gentleman who has run for the governorship of the State of New Jersey -- and I think one who will probably run again -- who has made a point of, "Why don't we decrease the business taxes in New Jersey 1 percent a year; just whittle it down. The State can afford that. It will make us more competitive." As opposed to doing what we're doing, which is increasing the CBT, increasing all the taxes that we've had; and now looking to increase the taxes on a lot of our Sub S businesses with the Millionaire's Tax. Totally the wrong way; we cannot afford to do that any longer.

And I would suggest a way to start tax reduction would be to consider the institution of a capital gains tax in the State of New Jersey. A capital gains tax, as you know, would tax certain business income at a lower rate than the incremental rate of individuals. It would spur investment, it would spur capital to the State of New Jersey, and it would allow companies to thrive in a more vibrant environment, and I think would really help our Innovation State initiative that we have.

So instituting a capital gains tax -- we've encouraged, the last couple of years. I would hope that somebody, sooner or later, would pick up the ball there and run with that.

Also, we need to look at the carry-forward of capital losses. If we're talking about an innovation economy, if we're talking about startup companies, bio companies, tech companies, they incur big losses at the beginning of their life cycles. Those losses -- they're not able to use, going forward; that has to be corrected in a better way. And I think that's something that needs to be addressed fairly quickly.

There's an initiative in the Governor's Economic Development Plan called *New Jersey Accelerate*, which hits on a number of things that would be corrected if that initiative is adopted. One is it would help all aspects of our business climate and, in particular, help with the regulatory bottlenecks that are embedded in the State of New Jersey.

One example I can give you -- a very prominent labor attorney in New Jersey tells me that the ability of a company in New Jersey-- He has a customer who has dual initiatives; one in Florida, one in New Jersey. The Florida initiative -- to do what they were trying to do -- took nine months to accomplish, and required their meeting with two or three regulatory bodies.

The same company, with the same initiative in New Jersey, has taken four-and-a-half-years -- and they're not done yet -- and they've already talked to 16 regulatory bodies, some of which contradict each other.

So the whole regulatory bottleneck needs to be addressed aggressively. *New Jersey Accelerate* does talk to that, so I would hope that that gets a lot of attention, and people start to look at implementing that as quickly as possible.

Next is Workforce Development. You've heard that from the higher ed people; absolutely a problem. The only thing I would correct and say is that we have worked very hard with the higher ed people -- including talking to Presidents' Council -- to try to get an initiative to enhance internships. So the criticism that I heard from the business community, "We've tried, and we will continue to try; but, believe me, the effort on our part has been there, and we will get that done. It is very important."

Also, next is regional outreach. You have to pay attention to these hundreds of thousands of businesses that are in New Jersey that are the backbone of our economy. For years they've been ignored, as I said earlier. Outreach and talking to them-- Situations like this, having exploratory hearings on a regional basis; listening to the needs of these people. A great, great initiative; and you would show concern for those companies that hasn't been shown to them in years. I would highly encourage you to do that.

So I think the other thing that I'm going to close by saying is that -- please, if you do nothing else that I said today, stop the mandates; stop the taxes. It is burdening companies to a point where the business community is discouraged, they don't feel like they're valued, they continue to be criticized for many things that they are not guilty of. And it just has to stop.

And the beauty of everything I just talked to you about today is that each of these issues is practical; it's doable. It has a minimal investment requirement, and it can be done immediately and have a positive impact. That's what we need. We need to turn this situation

around quickly so the things that are doable, and immediate, and have impact are things we should be addressing.

Going after new initiatives, like the Governor is talking about, is great; and also trying to attract new business to the State of New Jersey is wonderful. But not at the expense of the existing business community, the backbone of our economy.

So please use this hearing as the beginning of an expedited and aggressive economic development initiative to focus more on our existing business community. We all want to make our economy stronger, to complement the Governor's Stronger and Fairer Initiative. The fairer economy has been created; in the last year, the Governor has done a wonderful job, with you all, to create a fairer economy in the State of New Jersey. If that's going to be a positive, and that's going to have some impact, a stronger economy needs to be created. That's what I'm talking about. The stronger economy has to be through a focus on the business community and the fundamentals that I talked about today.

And please, I've been in New Jersey a long time; I've been in front of these hearings a lot. Don't let this hearing today be a one-and-done. Don't let these topics go wasted; take these topics and turn them into action. There are so many hearings where you hear all the rhetoric and no action. We need this hearing today to be taken from discussion to action; and that's the only way we're going to have any kind of beginning of a responsible economic development recovery.

I'm going to turn this over to Michael Egerton, who is going to talk a little about the incentive programs that we're talking about also.

MICHAEL EGENTON: Thank you, Chairs, and members of the Committee.

So as you heard Tom say, you know, few companies will ever make a location decision solely based on economic incentives. And I pride myself-- In the years here in Trenton, I've worked with many of you on the Economic Opportunity Act of 2013. I saw, firsthand, the transformation of Newark, the transformation of Camden; and I believe it is the major tool that we can't let go of.

States that position themselves globally to compete for investment and employment utilize these incentives -- including credits, exemptions, and deductions. They are one of the primary tools that states will use to try to create jobs, attract new business, and strengthen their economies. Well-crafted economic incentives can help advance important economic development goals, including job retention and creation, business development and growth, promoting targeted investment, revitalizing the urban and rural areas, enhancing quality of life, and strengthening our tax base.

A strategic incentive program should advance a comprehensive economic development strategy, and not be viewed as a tactic to win a deal. The New Jersey State Legislature can help improve incentive programs in three ways: setting clear goals by providing clarity and flexibility in metrics; supporting regular program evaluation by allocating resources and enabling data sharing; and collaborating with the Executive Branch to ensure performance and supporting a culture of continuous improvement.

In establishing a set of framework, the Legislature and the Executive Branch, in partnership, should assure that incentives have the following, what I would call *guiding principles*.

ROI, Return on Investment: A good incentive program should generate a well-defined, measurable return on investment to the State.

Transparency: Incentives should be transparent, so that benefits to the taxpayers and costs to the State are clear.

Certainty: Policy certainty is important, in terms of the magnitude and timing of tax relief for business taxpayers, and the realization of tax losses that impact the overall State budget.

Perspective: The State should avoid retroactive policy changes that may penalize firms for previous investment decisions.

Simplicity: Incentives should be easy to administer and easy to comply with.

Targeted: Incentives should be targeted, and provided on a discretionary basis to promote economic activity that might not otherwise take place.

Protect public funds: Fiscal exposure to the State should be minimized through such constraints as annual financial caps or time limits on the use of credits.

Leverage: Some incentives produce a leveraging effect, drawing in additional resources from local government, private sector, or the Federal government.

Accountability: Performance-based incentives should be built into the program.

And finally, evaluation: Incentives should include a built-in framework for evaluation, which should seek to identify the extent to which incentives include new economic activity, rather than rewarding existing economic activity.

So, in short and in conclusion, you know the State Chamber -- one thing I'm very proud of -- and you've all heard me say this, time and time again, over the years -- we really do have the Who's Who on our Board of Directors; the movers, the shakers, the people who invest in the economy and grow jobs. We have those individuals who helped me, all the years, on building these incentives, who have the expertise in economic development.

So I strongly encourage you, as Tom says, in the role that you're doing here today -- exploratory -- and as we look to the future -- I encourage you to reach out to us so that we could provide that guidance to you all as we begin, and you begin, to analyze, to prioritize, and reconstruct our incentive programs going forward.

So from myself and Tom Bracken, on behalf of the State Chamber and our members, we thank you very much for the opportunity to discuss, Madam Chair.

SENATOR CRUZ-PEREZ: Thank you so much for coming and testifying in front of us this morning.

I have a question for you guys.

When the businesses leave New Jersey, where do they go and why?

MR. BRACKEN: They go-- I think, surprisingly, a lot go to our neighbors, Pennsylvania and New York; some go to South Carolina, North Carolina, Florida, Tennessee. There are a variety of places they go.

What I've heard most from companies that have left -- they are guided on two things; really, three things. One is taxes, absolutely. I mean, Honeywell left from a tax rate of 12 percent down to 3 percent; 9 percent on whatever they make is a lot of money. So taxes are one issue.

The other issue is the affordability and the cost of living of their workforce; and also the fact that they see the workforce of New Jersey declining, and they're wondering where they can get their employees, going forward.

So those things are the things we hear about most; and there's a variety of states they're going to. And I don't think there's any one single reason that they go, but the combination of all those are why they're leaving.

SENATOR CRUZ-PEREZ: Do you think that other states are providing incentives for them to go and just move? Because I know we had lost companies that have been offered other incentives in other states, and they just take off and leave a lot of people without jobs. I know of a company that is going to be leaving soon, the State of New Jersey, and is going to be relocating in one little section between Canada and New York; and the other in the Dominican Republic and China.

So why are we-- Obviously, that is for low cost; they are looking for low cost on people who work in the company. But why do you think-- Are those incentives -- are they providing enough incentives that-- Can we compete with them? Could you explain if the incentive plays a big role in that?

MR. BRACKEN: Every state that I know of has incentives. I mean, I think for a state, you have to have incentives for both offensive and defensive purposes to attract and to retain companies in your state.

I do know-- I think-- What I've heard is that our current incentive program -- which is about to expire in June -- is one of the more generous in the country; but there's a reason for that. Our taxes are higher than any state in the country, and the costs are higher. So there's a reason we have a more generous program; we have to have that to be able to compete.

But the answer to your question is, I'm sure most companies that are leaving are getting some kind of incentives from the states they are going to.

SENATOR CRUZ-PEREZ: Some of those incentives that we have provided for larger companies -- do you think we're doing enough for the small and Main Street businesses?

MR. BRACKEN: No; that's my point. When we look at the incentive program that's being put forth by the Governor, two things, I think, strike me. One is, we should never cap an incentive program. You never cap an incentive program because, by the definition of the incentive program, you are providing money to companies that are giving you a net benefit that's greater than you're providing to them; and it's helping the State. Why would you cut that off with a cap? A soft cap is fine; to be able to review it at a certain level. But to cut it off at any point in time makes no sense to me. So that's number one on the incentive program.

Secondly, we have to broaden the reach of our incentive program. Many small businesses, many middle-market businesses around

the state have not had the benefit of our previous incentive package. They need to get it in this one. I know that there's a lot of emphasis on the targeted industries that the Governor has. But we don't want to make winners and losers out of the incentive program. We need to make this available to every company in the State of New Jersey to encourage them to stay here, grow here. As I said, the best source of growth we have in our state right now are the companies that are here. There are 400,000 to 500,000 companies in New Jersey; and my point, all along, has been if only 1 of 10 added one new job a year, that's 40,000 or 50,000 jobs in the State of New Jersey that will stick here. They don't cross the river every night; they will be here.

So the answer to your question -- they have not had the benefit of incentives over the years; they need to have that in this new program.

SENATOR CRUZ-PEREZ: In your opinion, what is the danger of letting this incentive program lapse in July without replacing it with a program?

MR. BRACKEN: We will be at a severe disadvantage from a competitive standpoint. We're already-- Our competitive situation is already very bad. If we do not have an incentive program, our competitive situation gets worse.

SENATOR CRUZ-PEREZ: Thank you so much.

Senator Oroho.

SENATOR OROHO: I just have a very--

You see, I agree with what Tom says.

The interesting thing -- this is just a point -- the interesting thing that you lose first, that you don't have-- Because it's expensive for

companies to move; it takes a long time for companies to move. What you lose first is their expansion, their growth.

MR. BRACKEN: Right.

SENATOR OROHO: And so Tom's point is 100 percent correct -- that some of your best clients are the ones you already have, in many aspects.

And, you know, Tom -- we've talked many times -- it's all about the capital, you know? If you can attract capital and retain capital-- Because capital, as I've said many times -- it follows the path of least resistance to success. And that success is -- do we have a reasonable expectation of a fair rate of return for the risk that they take?

And I wholeheartedly agree with the capital gains tax.

Tom, the one thing that you mentioned -- the capital loss, with respect-- I know I was the prime sponsor of the -- aggregation of income and loss. You said the tax carry-forward, so we don't have-- I know it's limited; I think it's limited to 50 percent. But it still is-- Are you talking about the limitation--

MR. BRACKEN: Yes, I am.

SENATOR OROHO: --or actually-- And also the idea you don't have to carry it back.

MR. BRACKEN: No, I'm talking about the ability to carry all of it forward.

SENATOR OROHO: All forward.

MR. BRACKEN: Yes.

SENATOR OROHO: A hundred percent?

MR. BRACKEN: Yes.

SENATOR OROHO: Okay; I just wondered, because--

MR. BRACKEN: It would make us incrementally more competitive, especially with the biotech and the tech industries.

SENATOR OROHO: I could not agree more. At the time, I could only get 50, but I'd love to have 100.

MR. BRACKEN: Try again, Steve. (laughter)

SENATOR OROHO: I just wondered, because you had mentioned that we weren't able to, and I just want to make sure--

MR. BRACKEN: Yes.

SENATOR OROHO: --it's the limitation that you--

MR. BRACKEN: Yes.

SENATOR OROHO: Okay.

MR. BRACKEN: Yes.

SENATOR OROHO: Thank you.

SENATOR CRUZ-PEREZ: Thank you, Senator.

Assemblyman Freiman.

ASSEMBLYMAN FREIMAN: Thank you for being here. I appreciate your testimony and your insights.

So when we take a look at the existing program that's there, in your opinion-- You've talked about the fact that we would not have had success in certain parts around the state if it were not for this program. So many have testified -- even in the previous hearing -- that they were thankful; that Newark wouldn't have the growth, and Camden-- We've talked about that.

So we have, clearly, examples where it has worked. But when we take a look at a macro level view, have our programs been successful? If you take a look at overall, would you say the program has been successful?

MR. BRACKEN: I think, you know, there's been criticism, and the audit highlighted some things that were more administrative than anything. But our State would be even less vibrant economically if it were not for our economic development incentive programs.

I think that, overall, they've been successful. You know, each of these grants or tax incentive awards has to pass a net-benefits test; which means that there's an ROI on that award that exceeds what the tax break is. And I think, absolutely overall, it has been a success for the State of New Jersey.

The economic development incentive plan has been around for long time; it has been one of the sterling examples of how good New Jersey business can be, and the people involved in that have been absolutely the best citizens we've had. So yes, I'm a big fan of that; I think it's worked well, and we have to continue it.

ASSEMBLYMAN FREIMAN: Okay.

When we look, going forward, there has been-- And we look at some of our neighboring states, and we point to Massachusetts and New York. We say, "Well, boy, they seem to be similar to us, in terms of their legacies." But yet, they seem to be executing much better in their economic environment than New Jersey has. And their growth seems to be an attractor in bringing in organic growth; not necessarily in retention. They seem to be bringing in innovation and growing new.

And a lot of the money that we -- and investment that we have seems to be along the lines of retention; we've prevented companies from leaving.

So the new programs, going forward -- what do we need to do to make sure that this program is balanced; that we are-- You talked a little bit before about the climate.

MR. BRACKEN: Right.

I think it's two things. First of all, you have to have a program that attracts; you have to have a program that retains. That's the defensive part of it. But you also have to have a program that encourages growth of companies that are here; that are stuck here, that don't know what to do, and want to grow here. You have to give them the opportunity to add jobs and to grow their businesses. That's the component that's missing.

We do have retention, we do have attraction. But just the everyday, mom-and-pop company in Burlington, New Jersey, that has \$5 million in sales and wants to add to their physical facility and add a few employees -- we don't acknowledge that. We need to encourage them to grow, and to have that expansion, and add those jobs. That's a component of this incentive program that has been missing, in my estimation, and we need to address.

ASSEMBLYMAN FREIMAN: So one last question.

Our neighboring states that we point to are also known to be high-tax states as well. We might have a lofty position of a higher tax right now.

If you were to change one or two things to change this business climate, what would you do?

MR. BRACKEN: I would, as I said earlier-- First of all, to change the business climate or change the economic climate?

ASSEMBLYMAN FREIMAN: The business climate.

MR. BRACKEN: Business climate?

ASSEMBLYMAN FREIMAN: We're open for business; what do you do?

MR. BRACKEN: Reduce taxes.

ASSEMBLYMAN FREIMAN: Okay.

MR. BRACKEN: That would be a signal that we are making some adjustments in the right direction.

And I think if-- Another issue is the infrastructure. The infrastructure of New Jersey has always been a sterling example of one of our strengths. We just passed, two-and-a-half years ago, the ability to put more money into that and make it better. It has not gotten better. It is not as safe as it was, we have not expanded it all, and we haven't even corrected the problems that were there.

The infrastructure of any state is something that is very prominent in business attraction and business retention. So I would make sure that the money we have collected on the gas tax we put into the infrastructure. That not only helps increase jobs, increases the economy, but also makes it safer for everybody, and makes the state more attractive.

ASSEMBLYMAN FREIMAN: Thank you.

ASSEMBLYMAN JOHNSON: Okay, you didn't mention streamlining regulations; but I know that's in there somewhere.

MR. EGENTON: Oh, he did; in his longer comments he did.
(laughter)

ASSEMBLYMAN JOHNSON: Streamlining the regs.

MR. EGENTON: Yes.

ASSEMBLYMAN JOHNSON: And making them more efficient.

Assemblyman Auth, I know you have a question.

Also, I recognize that Ms. Debbie Hart has to be on the road by 12:30, so we'll try to get her up before us--

So Assemblyman Auth, go ahead.

ASSEMBLYMAN AUTH: Thank you Chairman.

You know, we're thinking on the same wavelength.

I was thinking of Charles Dickens, Mr. Bracken, when you discussed the two states where the gentleman, who you used as an example, was trying to undertake some new business initiative.

MR. BRACKEN: Right.

ASSEMBLYMAN AUTH: So it is really the tale of two departments of regulations, instead of the *Tale of Two Cities*.

Now, in Dickens' story, they talk about a very passive London, and then a very volatile Paris -- where all sorts of revolution and guillotine activity was going on.

Can you break down, perhaps, with regard to the regulation issue, what your example company experienced in Florida; and then the different type of regulations that they experience in New Jersey?

MR. BRACKEN: I don't know what exactly they went through in Florida; but I know in New Jersey, this company -- to accomplish what their objective was -- I can't really divulge that, who the company was -- they had to go through State agencies to get approvals. Then they had to

go to the county, then they had to go to the municipal level. In a lot of cases, they were redundant-type of requirements, but they had to change the requirement -- they had to modify what they had already done at the previous level to accommodate the new level of government.

So the whole thing is -- I guess it's boiled down to this home rule situation, where everybody has the authority to do anything they want within their sphere of influence. And that becomes -- that compounds projects to a point where people get discouraged; they give up. And this company has not given up, but they're about to; and this is something that is a major economic initiative for this company, and will help New Jersey if they get this accomplished. But they're at four-and-a-half years, and they're about ready to give up because they don't see light at the end of the tunnel, even after four years.

ASSEMBLYMAN AUTH: And one quick follow-up, Chairman, please, if you would.

One thing that really repulses me about what we're talking about here today-- I know the need for incentives; I mean, we have to relegate ourselves to that right now, because that's the vehicle we use.

But I believe broad-based relief, without discrimination-- In other words, what's good for one is good for all in the business community -- whether it's a broad-based tax decrease, a broad-based regulation decrease. Whatever it is, it seems to work better, and it doesn't prevent people from accessing it. Because the way this is set up now, you have to go through all sorts of hoops, and push bells, and buzzers, and maybe get attorneys and everything else to help you get that; as opposed to it just

happening as a natural occurrence, where their business can just go on their way and do what they do best, which is run their business.

Do you agree with that? And if you do, what would you do to effectuate that type of change?

MR. BRACKEN: Absolutely I agree with that.

That's what I said -- the incentive program of New Jersey needs to be more -- has to have more reach to the different-sized companies. And the entire economic base of New Jersey is not available to a lot of companies right now. It should be; I mean, everybody should have the ability to have incentives to grow their company in New Jersey.

So the answer your question is "yes." The more broad-based, the better.

ASSEMBLYMAN AUTH: Thank you.

Thank you, Chairman.

ASSEMBLYMAN JOHNSON: Assemblywoman Pintor Marin.

ASSEMBLYWOMAN PINTOR MARIN: Thank you, Mr. Bracken, for being here--

MR. BRACKEN: You're welcome.

ASSEMBLYWOMAN PINTOR MARIN: --and Michael.

First, I'd like to just thank your Board members, because last year, through budget, they were very helpful. And I just really want to put that on the record. Because as much as I hear that you're saying that we're kind of beating down some of the business community, I just want to let know, and the folks who you represent, that last year they were very helpful in coming up with ways to tax themselves; but also, just the willingness to work with us, so I just want to clarify that.

You talked about-- there are two interesting points that you brought up. One, obviously, I think we were kind of beating down that we need to have some sort of incentive package and one that matches our neighboring states in order to be able to compete. I think we kind of get that.

Number two, you stated something that -- that (indiscernible) companies want to come in, or they're trying to expand -- that they're bigger, and they can do that. But you touched on something that I think that all of us here need to kind of have a better understanding -- I don't think that, maybe, this is the right purview to do it, but in a smaller setting -- is, how can we really be helpful to some of the businesses that are currently here, and that have been real anchors here for the State of New Jersey; and how it is that we can help them perform better, that's number one. And number two, how do we help them grow?

MR. BRACKEN: Assemblywoman, very easy. Outreach helps. You know, paying attention to anybody -- paying attention to your children; they feel better when you pay attention to them. These are the children of New Jersey -- the companies that make up the backbone of our economy. Pay attention to them, listen to their concerns, and accommodate them on some of their concerns.

I mentioned before -- have regional outreach meetings like this, around the state; listen to their concerns and accommodate what they're talking about. That means a lot to companies. I would tell you that the Business Action Center, as part of the State of New Jersey -- which was implemented under the Christie Administration -- has done a good job of that. We work with them, and take them around the state to introduce

companies to their programs. That works well. I know that the EDA is looking to do that, and I know that Choose New Jersey is looking to do that.

So if all those organizations do much more outreach, it's going to help; and then if also these programs are made available to them -- like the incentive programs -- that would go a long way in having these companies feel like they're wanted again.

You know, for the last year they haven't felt wanted because of the mandates, and the taxes, and the vilification of people, and the name-calling. That hasn't helped; we have to turn that around. But outreach and talking to them individually would go a long way to helping that problem.

ASSEMBLYWOMAN PINTOR MARIN: And then, number two, we had the higher ed community here earlier testifying. And I know that you were sitting here, and you probably got to hear some of the things that they were saying.

And when we talk about states like New York-- Obviously, New York is very hard to compete against, because it's New York, it's New York City, and it's fabulous, it's great. Everybody wants to go there, right? We kind of understand that.

But other states -- right? -- and what they've been able to do with their higher ed institutions and these businesses, especially their anchor businesses -- is there something that we need to be doing better, as far as Legislature, that we can be helpful in?

And you have some great companies that are part of your Chamber. What is it that we can really do to have them connect with some of these younger adults -- right? -- who are in college and who are

performing well; and making sure that we create that pathway that -- you know, between your sophomore-junior year of college that we're really taking a look at our kids from the State of New Jersey to make sure that they don't leave us, right? Is there a way that, maybe, you can expand that with your -- or have a conversation with your Board members on how we can do it better than what we're doing now?

MR. BRACKEN: I don't think the Legislature needs to get involved with that. I think the business community and the higher ed community can do it on our own. We've tried to do that; I think having this hearing today and having the higher ed people talk about the fact that they want to engage more with the business community -- we've wanted to engage with them. Now it's helped us put it together. They want to do this, we want to do this, we can do it.

Obviously, if you gave them more money, that might help. I'm not sure that's the situation.

ASSEMBLYWOMAN PINTOR MARIN: I think more money helps for everybody.

MR. BRACKEN: That's true.

But, you know, I think it's an initiative that we have to put together with them. The ball's in our court. Everybody wants to do it, so it's just a matter of getting people together and getting it done.

ASSEMBLYWOMAN PINTOR MARIN: And then, just my last question.

Have you had a chance to really take a good look at some of the proposals that the Governor has, with regards to the new incentive programs; or just kind of a broad-based?

MR. BRACKEN: Well, we've seen what he has proposed, yes.

ASSEMBLYWOMAN PINTOR MARIN: So my question is -- my understanding is that I think for -- and it might be in the specific legislation -- the proposed legislation that's talking about capping the programs is-- I'm not sure that there's even like a mega-projects initiative in any of these pieces. Should we be concerned? Because I think that a lot of the -- well, pretty much every state around us that does have incentives has a mega-projects incentive piece to it. Am I correct?

MR. BRACKEN: Well, he's capped -- he's put a cap on it, which would, by definition, I think, impose a problem for mega-projects.

But there is language in the new proposal that talks about attracting out-of-state companies and attracting those types of projects. Now, whether they fit under the cap is the problem. That's why I say a hard cap cannot work; it has to be a soft cap. And if there was a soft cap and you had a mega- project, and it made sense, that would perpetuate the program and, maybe, increase that soft cap to allow for that mega-project.

So the thing that defeats what you're talking about is a hard cap. And anybody who's been in business -- if you have incentive programs for employees to get incentives -- to get pay incentives -- you never cap that. Because what that does is stifle good employees from continuing to do good work. The same thing with the economic development cap. Have a soft cap where you review where it is, and then decide whether you want to go forward. But a hard cap will prevent exactly what you're talking about, and stifle opportunities that the State might have for the balance of the year once that cap is hit.

ASSEMBLYWOMAN PINTOR MARIN: Well, I think that one thing that we want to -- at least, at this Committee hearing -- and I know that both Chairs would agree with me, and probably a lot of my colleagues -- is, we want to make sure that our New Jersey businesses understand that we are open for business, and we will never be closed for business.

MR. BRACKEN: Me too.

ASSEMBLYWOMAN PINTOR MARIN: Thank you.

MR. EGENTON: Could I add one, real, 30-second quick thing too?

One of the things that we're embarking on at the Chamber, in working with some of the other business groups, is we're trying to take components of what the Governor proposed in his economic development plan and take components of what the Senate President released last August in the Path to Progress. Because you have to correct the systemic changes and problems. And you know, firsthand, Madam Chair, every year, with the budget, there are challenges there. We can't sustain that in the outlying years; we all know that. So that, in tandem, we're trying to pick components. And Tom is working, again, with the other leaders in the business community, saying, "Let's take the best out of both worlds, and put them together, and do what's best for the overall business community and the citizens of the state."

So as soon as we embark on that, you know, we'll certainly include the Legislature in that, in what we feel are the best components of the two initiatives.

SENATOR CRUZ-PEREZ: Well, thank you so much; thank you so much for your testimony, and coming to Trenton.

MR. BRACKEN: Thank you.

SENATOR CRUZ-PEREZ: We're going to bring Debbie Hart. Michael, you're next.

MICHAEL V. KERWIN: (off mike) Thank you.

SENATOR CRUZ-PEREZ: Absolutely.

ASSEMBLYMAN JOHNSON: We'll get you out of here, Michael; we'll release you.

MR. KERWIN: Beautiful; thank you.

DEBBIE HART: Good morning, Chairman Johnson, Chairwoman Cruz-Perez, and members of the joint Committee.

Thank you so much for working within my time frame. I sincerely appreciate it.

My colleague and I, Mr. John Slotman, work for BioNJ. I'm the President and CEO; John is our Vice President of Government Affairs. And we represent the more than 3,200 life sciences facilities, and 376,000 employees in our state, annually generating \$33 billion in wages and benefits; nearly \$1 billion in State taxes; and \$105 billion in economic output.

And I'm proud to report that despite some of the rumors to the contrary, New Jersey is, in fact, still the medicine chest of the world, representing 50 percent of all new novel drug approvals in 2017, and 35 percent in 2018.

My invitation asked that that we discuss the areas of the economy that we believe should be prioritized. In addition to the academic

and research institutions that you heard from earlier today, I think you'd be surprised if we were not advocating for the biotech and the biopharmaceutical industry.

So BioNJ supports efforts to grow our sector. Programs administered by the EDA have been key to the development of emerging life sciences companies. The NOL program, the EDA-supported incubator spaces, and other incentive programs have fostered the development of hundreds -- literally hundreds of biotechnology companies.

We support measures aimed at improving the attractiveness of the programs to investors and others, such as increasing the angel investor tax credit program. Moreover, we support the Governor's economic development plan, such as the proposed Evergreen co-investment fund, that would help spur early investment in emerging companies. That early investment can be the difference in a company keeping its lights on long enough to bring a therapy or a cure to market.

These programs are more critical than ever, given that states throughout our region have policies in place that could, and would, and, in some cases, are eating our lunch. Consider Massachusetts, and its \$1.5 billion investment; Pennsylvania, New York-- And, in fact, New York is pretty competitive when it comes to the biotechnology industry; but I believe there's plenty of opportunity there. And increasingly, we're seeing competition from Maryland.

These take the form of -- their programs take the form of venture and other upfront capital, abatements, and other preferential tax treatment.

I would point you to the BioNJ white paper entitled, “New Jersey Biopharma Industry: A Prescription for Growth,” that was in your packets today. That was done a year ago, and it still stands today, in terms of the recommendations; along with the report from June of 2018, from the bipartisan, bicameral Biotechnology Task Force -- if you’re looking for other ideas other than what folks mentioned today, or more data on some of the programs that we’re talking about.

New Jersey, we believe, must act quickly to ensure that we remain at the forefront of exciting new areas of research and development in cell and gene therapy, immunotherapy, and rare diseases. We must ensure that we have an arsenal of offerings past June 30, and long into the future.

Just as critical, to build on some of the points that Tom Bracken made, we support much-needed proposals to improve the business climate in our state, such as streamlining of permitting, other strategies brought to the forefront by the Economic and Fiscal Policy Workgroup.

Over the years, despite our many successes in this industry, I’ve seen so many companies choose not to come here, or not to build that second facility here, or even relocate themselves individually or their companies all together. And while it is difficult enough to consider those that did not come our way, we need to be more concerned than ever at those additional that we might lose if we don’t get this right.

In 26 years at my job, I have never witnessed so many urgent calls from my members. Last year, in the middle of his term, when he calculated his new tax bill after the SALT tax was announced, my Chairman -- the Chairman of a New Jersey State organization, who lived, breathed, brought three companies to New Jersey -- moved his family to Florida.

Meanwhile, one of our millionaire members called me recently to express his grave concern, and wisely warned, “The problem with the tipping point? You don’t know it until it’s tipped.”

As we sit here, on March 8, 120 days until the sunset of the Grow New Jersey program, with a budget process looming in between, I am very concerned as to where our incentive offerings will stand on June 30, and what will happen as a result. How many more residents, companies, and tax dollars will we forfeit? I fear we are at the tipping point; let’s be sure we don’t miss it.

To close on a more hopeful note -- I think we can all use a little hope today -- I’m encouraged by what I see and hear from the Governor, the Senate President, the Speaker, and by this Committee. I see a willingness to think outside the box; to take a good, hard look at ourselves, at what’s working and what is not. And when the findings are in, I urge our leaders to come together and do what is best for patients, for New Jersey, and for our economy.

Thank you so much.

ASSEMBLYMAN JOHNSON: Okay; thank you for that.

Any questions from the dais? (no response)

Going once, going twice; there are none.

And we got you out in time.

MS. HART: Thank you so, so much. I really appreciate it.

ASSEMBLYMAN JOHNSON: And we got you out in time.

MS. HART: Take care; God speed in your work.

ASSEMBLYMAN JOHNSON: Okay; and we have your testimony, so thank you.

Okay, next we have Michael Kerwin, President and CEO--

MR. KERWIN: Yes, thank you.

ASSEMBLYMAN JOHNSON: And John Maddocks, Vice President of Economic Development for Somerset Business Partnership.

MR. KERWIN: Yes; welcome; thank you very much for inviting us.

ASSEMBLYMAN JOHNSON: You have a lot of people there.

MR. KERWIN: Yes.

ASSEMBLYMAN JOHNSON: A lot of backup.

MR. KERWIN: But only two of us are talking.

ASSEMBLYMAN JOHNSON: Go ahead.

MR. KERWIN: So we're here, actually, to take a deep dive into how the economic development incentive programs are operating in the suburban part of the state, which includes 500 out of the 565 municipalities that are in the State of New Jersey.

We took this hard look at the incentive program on behalf of the Somerset County Business Partnership. I'm the President and CEO. We've been around for a hundred years as a Chamber; we are in a very unique public-private partnership with the Somerset County Freeholders.

The report was done on behalf of the Somerset County Regional Center, and funded by three municipalities: Bridgewater Township, the Borough of Somerville, and the Borough of Raritan. I want to recognize-- There he is, right here, right behind me -- Chuck McMullin from the Borough of Raritan. The Chair of the Regional Center is Troy Fischer, who's also here; he's also the GM of the Bridgewater Commons.

And with me as well representing is Alan Zakin, from the Morris County ELC; and John Maddocks, who is our Director of Economic Development.

So we looked at the way Grow New Jersey is operating in the real world; and we did that by hiring a consultant that specializes in economic development incentive packages in New Jersey, Murphy Partners, And we then looked at two hypothetical projects to see how they were treated.

And what we found was -- we don't think the law is operating as originally contemplated. As originally contemplated, a 20,000-square-foot office complex, say on technology industry, would consider, say, Jersey City and be eligible for approximately \$7,500 per job. And then they would look at, say, Somerville, and they would be eligible for \$5,500 a job. Somerset County would be at a disadvantage. We can live with that; we can live with that. That was how the law was presented.

Unfortunately, in the fine print of the law, there was a 90 percent limiter which changed everything. So at the end of the day, Jersey City -- which has a lower vacancy rate, higher rental rate, and spends less time on the market to get office space filled -- they would get \$15.5 million in that location, compared to \$4.2 million in Somerville.

On a larger project -- say, a 300,000-square-foot distribution center -- again, if it was in a more urban area, \$5,000 per job; in Bridgewater, \$4,000 per job. Ideally, I should be arguing that it should be the same. I'm okay with the disparity. However, the 90 percent limiter kicked in; the fine print of the statute that is in operation -- the location in Perth Amboy would get \$35 million; the location in Bridgewater would be \$6 million. We call that the *suburban disadvantage*, and it's killing us. It

basically makes our ability -- not for retention; I want to emphasize this is not for retaining jobs, but for attracting jobs -- it is making it -- basically making us uncompetitive.

So the first question, then, becomes not how many jobs are you going to grow, or how much investment you're going to make, it's where you're going. And we don't think that's really great economic development.

Now, having said that, I want to emphasize -- I'm looking at it from a perspective-- And you just heard Debbie Hart talk about the life science industry, and the potential of growth. That would occur where I live, in the biopharma belt: Middlesex, Morris County, and Somerset. We cheer Newark's comeback; we cheer Camden's comeback. We think we can have a sweet spot and do it all. Look at Amazon; at the end of the day, they picked an urban area *and* a suburban area. We met the criteria for Amazon; we applied to Amazon, and we wanted to partner with Newark. We think Newark's chances would have been better if we had worked together in a win-win situation throughout the state.

So that's where we're coming from. We have specific recommendations to help everybody; again, not just the 500 towns out of 565 that are in this priority growth situation, but everybody.

And I want to introduce John to, kind of, go through those specific recommendations.

SENATOR CRUZ-PEREZ: Thank you.

ASSEMBLYMAN JOHNSON: Thank you; next -- next up.

JOHN MADDOCKS: Thank you much.

Thank you, Madam, chairwoman, Mr. Chairman, and members of the Committee. We appreciate your commitment to advancing the

economic health of our state. I think everyone who has spoken today has recognized your commitment to that.

Our goal was to research -- as Mike just pointed out -- the impacts of the Grow New Jersey program, in recognition of the fact-- We did this, it should be noted, in September of last year; recognizing that legislation would be up for renewal, revision, or extension sometime in 2019.

Mike has pointed out some facts with respect to our research. We understand the full copy of our findings and report has been provided to you, and we also have a full written statement that'll go into additional detail on the three requests that I will summarize for you here. These three requests are in the context of existing Grow New Jersey legislation.

Mike just stated the first of those, which is that we would seek elimination of what is affectionately called that *90 percent limiter*. This has an effect on 500 of New Jersey's 565 municipalities; so nearly 90 percent of New Jersey municipalities are affected by the 90 percent limiter provision. And it has the substantive outcome of making us uncompetitive for -- in competition for jobs and private sector economic investment.

There was an earlier question regarding the program -- Grow New Jersey program's benefit to small business. And I submit to you that the 90 percent limiter, and its negative impact on 500 municipalities in the State of New Jersey, has caused significant limitations that we've experienced in small business investments. Five hundred out of 565 municipalities; many of those such as the Borough of Raritan and the Borough of Somerville, which are small business communities, and they are negatively penalized by the 90 percent limiter.

Our second request -- and I think Tom Bracken and Mike Egenton touched on this -- with respect to New Jersey's economic or other strategic planning, we ask that in future legislation, in business incentives legislation, for recognition of designated areas in need of redevelopment as high priority focus areas for business incentives. By definition, designated areas in need of redevelopment, as undertaken by local governing bodies and planning boards, target projects that are meant to be transformative in nature for that community. And we believe that those local community efforts -- those local planning and redevelopment efforts -- should be supported by New Jersey policy and, in this example, New Jersey business incentives legislation.

So we would ask that designated local areas in need of redevelopment be recognized, in the context of Grow New Jersey, as a Garden State growth cell. They've been prioritized by municipalities with community input.

I would also note that connecting New Jersey business incentive legislation with local planning efforts is consistent with the only real estate planning we have now, which is the New Jersey State Development and Redevelopment Plan. That State Development and Redevelopment Plan recognizes Planning Area 1 and Planning Area 2 as being those areas within our state where much of -- and I quote, "much of the state's development and redevelopment should occur." That's what the State plan says that should be connected to our business incentives legislation. And that process for designating Planning Areas 1 and 2 was a cross-acceptance process. It involved municipalities, counties, and the State Planning Commission.

Lastly-- And there's been some discussion on business retention. We believe that any incentives legislation, going forward, must have a robust business retention component to it. I support, as an economic development professional, Tom's observations regarding taking care of the businesses that are here. We view those as our customers. The old adage in the sales business is, it's easier to retain and less expensive to retain your existing customers than it is to go find new ones. So we need to find a path to rewarding those companies who have been investing in New Jersey.

I would also-- Two points that came up from your previous individuals who have testified.

On the retention -- I know there's some debate on -- and this is not part of our -- I should note, this is not part of our official analysis. On the retention aspect, it is very important to note that where Grow New Jersey did invest in business retention -- and that was a significant part in Somerset County, of 11 Grow New Jersey awards over a five-year period of Grow New Jersey -- 11 Grow New Jersey Awards in Somerset County, New Jersey, over a five-year period, 10 of them were retention; those 10 retention awards represented 5,000 jobs in Somerset County.

As I told our Planning Board and Board of Chosen Freeholders, if it were not for the retention aspects of Grow New Jersey, we'd be having an entirely different conversation on the economic future of Somerset County -- and the region. Because this applies to Morris; our friends to the west, Hunterdon; and to a large extent, Middlesex and Mercer as well, as well as other counties.

But a point on retention. It's important to note that in Grow New Jersey, the retention of jobs -- while incentivized-- also required a capital investment. So we need to recognize that not only did a company retain jobs, but they made a capital investment. That capital investment is not funny money; that capital investment went into buying goods, services, products, hiring people to do new construction and renovations. So those were real economic stimuli that happened as a result of Grow New Jersey retention.

Lastly -- and again, not part of our research; but I'll digress since I have the moment. There's much talk -- and we appreciate the testimony you received from our partners in education; higher education, in particular. I do believe, from an economic development perspective, that there is significant room to enhance Grow New Jersey, whatever that may look like going forward -- and particularly the business retention aspects -- through a higher connection and a greater connection with workforce training and education. Workforce is the most valuable asset of any employer. If we can find some way -- and I would be happy to work with your staff, or you individually -- on some concepts. We're fairly well-versed in this, having done a lot of workforce development work in our region, both Hunterdon and Somerset counties. So I think there's some real creative ways we can tie future business incentive legislation, from a retention perspective, into very, very specific training and education.

So again, I apologize for going off of my notes. I thank you for your time, and we hope to be part of this--

MR. KERWIN: Yes, now let me just close by saying that we have engaged a consultant to actually work with you to come up with creative solutions that are win-win for everybody.

And I really -- as I've said to Assemblyman Freiman -- I really think-- Here's what I think. I think New Jersey could be, potentially, in a sweet spot. So Newark -- we can celebrate the Newark comeback; we can celebrate the cleaning up of these former industrial sites and turning them into distribution centers; and we can support the life science and the pharmaceutical industry in the suburbs. Why not do it all?

So I think that would be the sweet spot.

ASSEMBLYMAN JOHNSON: Okay.

Any questions?

Mr. Freiman.

ASSEMBLYMAN FREIMAN: Thank you.

Thank you for being here, and for your testimony.

We've heard a lot of prior testimony around metrics; something that's near and dear to me.

So in your opinion, going forward, what should be the metrics of program?

MR. KERWIN: So in Somerset County, we did a comprehensive economic development strategy, Assemblyman Freiman, which basically established the criteria as the number of jobs created and the amount of private sector investment. So we think that should be the number one criteria for any job program.

Now, if you then want to target industries, after you take those two criteria into effect -- you know, we can work with that. If you want to

target -- maybe give some of our urban areas that are stressed a little extra help, we can work with that. But the basis could come back to private sector jobs and private sector investment; and make it so that we're competitive -- we're all competitive. And I think we would get the sweet spot.

MAYOR CHARLES McMULLIN: I would just to add, Assemblyman, I think the current return on investment is the benchmark for both business, and private and public sectors. I think that it was clear from the testimony before -- we do have the positive ROI before we do any funding. Part of our work is to go back and look -- and I thought that was a good suggestion -- of confirming the anticipated return on investments. That is, in my judgment, the proper metric. And to look back at the last five years; and I would suggest if you move this forward another five years, you put that element into your bill. Because at the end of the day, the numbers, the metrics, speak for themselves; and return on investment is exactly what the State should expect and demand.

ASSEMBLYMAN FREIMAN: So if I can build upon that--

MR. KERWIN: Sure.

ASSEMBLYMAN FREIMAN: --on the metrics. If we have a program, and all the return and all the activity was in one bucket--

MR. KERWIN: Right.

ASSEMBLYMAN FREIMAN: Even though we had good return, but it was in a single bucket, is that success?

MAYOR McMULLIN: I think that depends on your state perspective, relative to the to the diversity issue.

One of the things that's very interesting to me -- I've lived in Somerset County for a long time, and I always call Raritan -- which is only two square miles -- to be the epicenter of the Somerset County pharmaceutical industry. And so, to me, all that in one bucket is a great thing; and we have been very, very happy with the EDA. LabCorp came in -- of course, a North Carolina company that was mentioned before -- and I know with Assemblyman DiMaio and Senator Doherty, we were very successful in retention of that bucket.

Well, the interesting part about that is that there are these types of concentrations of industries that do create a tipping point in a different point of view; because they become a magnet. And so, in essence, I think the magnet of what I call Somerset County -- and you guys say beyond that; I'm a small-town guy -- but the magnet of pharmaceuticals for us attracts so many ancillary businesses. Down in South Jersey, where my wife comes from, that's in the agricultural business -- okay? -- and they have a concentration of support industries that are about that.

So when John speaks about the comprehensive State plan and the zones, I think the question really comes down to -- what your question is-- I think success is, you have the appropriate return on investment; unless you want to have State policy that affects how you want to change the complexion, the industrial complexion, or business complexion of the state.

ASSEMBLYMAN FREIMAN: Thank you.

MR. KERWIN: We're happy to answer any questions; yes, sir.

ASSEMBLYMAN JOHNSON: Thank you.

I think Mr. DiMaio has a question; then I have one.

ASSEMBLYMAN DiMAIO: Since I'm the proud representative of the epicenter of Somerset County (laughter), I happen to be one who believes that the higher our CBT goes, the more adversely it affects-- Well, it does -- it adversely affects every business.

MR. KERWIN: Of course; yes.

ASSEMBLYMAN DiMAIO: Should we, during this process, be looking at lowering the CBT for all the businesses, and tweaking the incentives so we have a broader based business growth?

MR. KERWIN: So let me-- You're talking about the corporate business tax?

ASSEMBLYMAN DiMAIO: Yes.

MR. KERWIN: Okay. So this is what I know for sure.

ASSEMBLYMAN DiMAIO: Yes, okay.

MR. KERWIN: New Jersey -- we always hear how bad our business climate is. Well, here's one thing we do great at; we do great at attracting investment from outside the United States. Think about it; if you're a company based in France, the easiest place to get to in the United States is New Jersey. Take a direct flight from Paris to Newark; 20 minutes later, guess where you are? You're in Somerset County.

So we also know -- whatever you may think about the Federal tax reform, it has encouraged that kind of investment internationally. So it seems to me if that's Somerset County's -- and I should say New Jersey's -- big competitive advantage to attract investments internationally, anything we can do to encourage it makes sense. And anything that we can do to discourage it makes zero sense, because we're throwing away the one thing we got going for us, which is the corporate tax. So that's-- And that has

been said, flat out, by companies, including one of the largest employers in Somerset County -- and you can probably guess who it is -- that, over decades, said that they are not leaving, but they're not growing. Now they're growing. I asked them why; they said because of the Federal corporate tax rate changes; the fact that they're into, now, distribution, and we have a great location; and because of the town.

So I think you're onto something on that.

ASSEMBLYMAN DiMAIO: My question was specifically New Jersey's corporate business tax.

MR. KERWIN: Yes, that's what I mean. But my point is--

ASSEMBLYMAN DiMAIO: If you lower that, that would seem to--

MR. KERWIN: But my point is, if the reduction in the Federal is made as competitive, then why lose that advantage? Because then we're raising the State. So that was what I'm arguing about.

ASSEMBLYMAN DiMAIO: I think we need to go beyond the incentives. I think we need to look at everything we're doing.

MR. KERWIN: Yes; but I'll just say one other rule that I follow, because I listen to-- We will never be as competitive as Texas or Georgia. But Governor Kean, who I admire -- if New Jersey is better than New York, and competitive with Pennsylvania, New Jersey will do fine. And I always go with that as kind of my guidepost. Beat New York's competitive tax situation, be competitive with Pennsylvania, don't worry about Texas, and New Jersey will be very competitive.

MAYOR McMULLIN: I would just add, Assemblyman, from a Morris County perspective, and a State perspective, the more inviting the

areas, like Somerset and Morris are, the better for everyone in the state. New Jersey is certainly an expensive place, but it's worth it. It has a lot of great resources, educated workforce, natural resources, location. When companies are looking from outside, some want an urban environment, some want a suburban environment. And if we don't give them incentives to be in those suburban environments, there are other places, like Pennsylvania or New York, they might go to.

On top of that, you mentioned the CBT specifically. Most of the decisions are made by the CEOs, who are impacted by -- they have to think of their shareholders; and they have to think of the CBT, as well as the taxes they'll pay on their home, and on their income, and their senior employees. So it all-- And those people who move in generate the tax base that helps us grow. So it's-- I think we can't look at it as just urban and suburban. We drive by the inner cities; it's great they're growing. But for the whole state to grow, we need to make sure to look at the state from a whole perspective.

Mr. Chair, one last statement, just to give you what we're talking about here.

MR. KERWIN: There's a hundred acres of land that's vacant, ready to be developed, next to the Somerville train station, owned by the Borough of Somerville. Where else in New Jersey are you going to find a hundred acres, ready to be developed, next to a train station, in prime pharmaceutical country? That's what we're talking about.

That is not listed as a priority for economic development incentives. That makes no sense.

So if Amazon had picked Newark, maybe they would have said, “We also need a hundred-acre site somewhere outside where we have room to grow.” That’s what we’re talking about.

So we want the economic development incentives to just be based on reality. We’re trying to create jobs and investments.

We appreciate your help.

ASSEMBLYMAN JOHNSON: Okay.

MR. KERWIN: We want to be helpful. So anything we can do, let us know. But just get rid of that 90 percent limiter -- it’s killing us -- please. That thing has to go.

ASSEMBLYMAN DiMAIO: Thank you.

ASSEMBLYMAN JOHNSON: Okay.

Senator Oroho has a question; however, being that I am the Chair, and I out-rank you this time, Senator--

SENATOR OROHO: No, go ahead.

ASSEMBLYMAN JOHNSON: I have Michael Kerwin and John Maddocks; but I see four people there.

MR. KERWIN: Yes.

ASSEMBLYMAN JOHNSON: So I’m missing two. Just state your name and your position.

MAYOR McMULLIN: It’s Chuck McMullin; Mayor, Borough of Raritan.

ASSEMBLYMAN JOHNSON: Well done, sir.

A L A N J. Z A K I N, Esq.: Alan Zakin, of Alan Zakin Associates, Florham Park; representing the Morris County Chamber of Commerce. I Co-Chair their Government Affairs Committee.

ASSEMBLYMAN JOHNSON: Very good.

And I have a quick question before the Senator jumps in.

You mentioned before -- an area in need of redevelopment.

MR. KERWIN: Yes.

ASSEMBLYMAN JOHNSON: How about an area in need of rehabilitation? What's the difference there?

MR. MADDOCKS: I got you, Chairman.

So the legal difference in the designation is that an area in need of redevelopment empowers a local redevelopment agency with eminent domain acquisition authority.

ASSEMBLYMAN JOHNSON: Okay.

MR. MADDOCKS: An area in need of rehabilitation designation does not contain the eminent domain authority. So what you find is in municipalities, such as Teaneck -- right? -- you may have an area that is substantially residential, but want to use a redevelopment designation tool to help abate taxes on capital improvements to residences; but you don't want the residents to be subject to potential eminent domain.

ASSEMBLYMAN JOHNSON: Right.

MAYOR McMULLIN: Senator, I'd just like to add one point to that, because we've just done this in the Borough of Raritan.

The issue of eminent domain speaks of big government in somewhat overreaching. However, in our experience, we have a transit-oriented village. We used the Redevelopment Act very effectively, and I thank those in the Legislature for that.

But what our experience had been -- it was made up of, I think, 18 properties. And so we passed this with the purposes of inclusion of the right of redevelopment in the beginning.

The good news is, at the end of the day -- and it's under construction today -- we never had to use it. And it really-- Because what that did, it put an equalizer between the owner of the property -- whether it be a homeowner or a company -- and whoever it was who was the project proponent. So I just wanted to make it clear -- from a rather low-down-on-the-totem-pole point of view -- that our experience was that it was not necessary to do any eminent domain; however, it was necessary to have it as a tool because it did keep everybody in check. As opposed to the famous casino in Atlantic City that had the house in the middle of it; that's why we did it very nicely. (laughter)

So thank you; I appreciate your time.

ASSEMBLYMAN JOHNSON: Senator Oroho.

SENATOR OROHO: Yes, thank you, Chairman.

It's actually not a question, but a statement.

First of all, I want to thank you very much. When we looked at this report previously, when it had been sent -- I think it's an excellent report. And as one of the primary sponsors of the original economic incentive plan, the issue was to incentivize or supercharge certain areas for the investment. However, what has not happened -- and I think this report demonstrates it very well -- the geographic benefits throughout the rest -- some parts of the state--

MR. KERWIN: Right.

SENATOR OROHO: --have not been realized; and that's something we have to really think about because we tried -- we tried to put it into--

MR. KERWIN: Yes.

SENATOR OROHO: It should be reasonable -- have a reasonable expectation that all areas of the state should -- including Sussex, you know where Warren--

MR. KERWIN: Yes.

SENATOR OROHO: --and parts of the Highlands area, where we said the planning area should have any sort of ability just like any other part of the state-- Because prior to the 2013 Act, anybody in the Highlands or the Pinelands had been absolutely excluded. So we tried to put it in.

But this report does show that we have not seen any kind of benefit--

MR. KERWIN: Right.

SENATOR OROHO: --occur there.

So thank you.

MR. KERWIN: Yes; and that's a good way of looking at -- how the law was originally intended, and how it operates sometimes are two different things. We're trying to give you some information, from the real world, how it works; and some positive recommendations how to make it better for everybody.

ASSEMBLYMAN JOHNSON: Okay; thank you, gentlemen.

MR. KERWIN: You're welcome.

ASSEMBLYMAN JOHNSON: I think that wraps it up for this section.

And I will turn it over to my Co-Chair who will introduce and bring forward our next speaker.

SENATOR CRUZ-PEREZ: Yes; thank you so much for your testimony.

Could the Atlantic County Economic Alliance, Mr. Lauren Moore, Executive Director, come forward?

LAUREN H. MOORE, Jr.: I want to say good morning, because I haven't had lunch yet; but it's good afternoon.

ASSEMBLYMAN JOHNSON: We can get you a sandwich.
(laughter)

MR. MOORE: No, that's okay.

And what a morning it's been. Good morning, Mr. Chair, and good afternoon, Chairwoman and members of the Committee.

Well, you certainly have heard a lot, you know, today. I'm going to take a little different, you know, approach to my comments here, and kind of paint a regional perspective on a case study of what we're doing in Atlantic County.

Before I get into that, my name is Lauren Moore, I'm the Executive Director of the Atlantic County Economic Alliance. In Atlantic County, we've taken a little bit of a different approach to economic development. We've created a 501(c)(3) as the County economic development entity; and we are composed of about 40 members of our business community for the organization.

The reason that we've taken a little bit of different approach, it's no secret-- And I see Assemblyman Armato there; good afternoon, Assemblyman, District 2; a big help to what we're trying to accomplish in

the County and we greatly appreciate that. It's no secret we had five casinos close at the end of 2014; probably one of the biggest economic impacts, you know, across the state. We lost 20,000 jobs there during that time. And before I came back to Atlantic County -- which I worked as the Planning Director through the 1990s -- I worked, for 20 years, in Trenton for six different administrations. I started at the Commerce Department, the Commerce Commission; I worked my way through the New Jersey Economic Development Authority; and then, ultimately, the last eight years, I ran the Business Action Center, working directly for then-Lieutenant Governor Kim Guadagno.

So I'm familiar with the programs, and I'm familiar with the situation across the county. And I'm glad to be back at the grassroots level, working at the County, for Atlantic County; which is why I want to paint a regional perspective here.

The county did a strategy, and mapped out an economic development plan. I'm going to reverse engineer into why it's important for us, in Atlantic County, not to let the Grow New Jersey program lapse; why the 90 percent limiter is important; and why some language that we tried to get into the Aviation District -- that was created as the sixth Garden State Growth Zone; which, of course, everything's going to lapse if you don't apply by July 1 -- some subcontractor language, and why that's important to us.

So I'm kind of painting a picture-- As you listen to my remarks, what I'm going to reverse engineer and back into here.

We have incredible aviation assets in Atlantic County. Now, our economic development strategy focuses on special manufacturing, food

and agriculture, business services; of course, tourism and entertainment. That's space that we really don't play in, because there are a lot of entities in our region that do that. But our big push is aviation. We think it's a great opportunity to create new wealth and a new industry in New Jersey. And a reason that we're putting a big push on aviation, and the creation of our Aviation District, is we have two awesome assets: the Atlantic City International Airport, a State-run airport, 10,000-foot runway, underutilized; and the William J. Hughes FAA Technical Center.

The Tech Center is the largest research laboratory under one roof in the world. It is ginormous. We have 5,000 employees with an average salary of \$114,000. Our average household salaries, in Atlantic County, are \$55,000. This is a great opportunity for us to build off of the aviation sector. And the economic development strategy that we did called this out; it called this out, which is why we went back and in the previous Administration, and the current Administration, and got support.

I was in front of this Committee twice -- and thank you very much -- we got the sixth Garden State Growth Zone passed, which is one mile off of the FAA Tech Center and the airport, so that we can take advantage of Joel, and the likes of the Lockheed Martins, Boeings, Raytheons here; General Dynamics, Leidos. And these companies-- We are all working with these companies; and we're working with them to bring innovation, and research and development into our Aviation Research and Technical Park -- that we are partnering with the FAA; it's a 55-acre site. And the County has put their money where their mouth is, and we've developed the first of seven buildings that will go on the site; \$22 million. The County built it on spec -- on speculation. We've got the building

tenanted now, with aviation tenets, working with the FAA, to create our Aviation Innovation Hub.

And the other reason that I want to say-- You know, I want to paint this picture of why the Grow New Jersey program is so very important to us. We're not doing this just in Atlantic County; the 5,000-plus employees who work at the Tech Center -- they go across the entire South Jersey region. They put their head on a pillow, and go to sleep at night, not just in Atlantic County.

This is a regional economy. And in fact, we've started what we're calling the *Aviation Research Triangle* by working closely with the Joint Base and Cape May County. Cape May County has a UAS, an Unmanned Air Systems, program that they they've started in Lower Township. So we are working this as a regional economy, to build new wealth and a new industry that does not exist in New Jersey; and that's the Aviation Research Development industry here in the County.

Some of the partners I want to point out that we're working with -- because I heard a question about pathways, you know, to quality jobs and workforce development -- we're working with all the County technical schools. We started working with our County Superintendents and our high schools. We have Stockton University. Dr. Joel Bloom-- NJIT is the manager of our Research Park. So we brought in NJIT, you know, to help us leverage into the research and development. This is what companies are looking for; they're looking to work with our research universities.

Rowan University -- Dr. Ali Houshmand -- they're going to be a research partner at the park, as well, here. And one of the big ones that we

landed, that is very important as a pathway, and I'm going to talk a little bit about this -- is Embry-Riddle Aeronautical University. They have signed on as a research partner in our Aviation Innovation Hub. They're working with us in Cape May; and we're working with Embry-Riddle to teach AV STEM courses in our high schools -- science, technology, engineering, and mathematics. To teach us so that, starting in 9th grade, going to 10th, 11th, and 12th, the children are exposed to these opportunities, so that we're creating the workforce to supply jobs to our Aviation Innovation Hub, and the companies that we're working to bring here.

Because while incentives are extremely important, companies follow workers. And we are working from scratch, on our own, to create this workforce development program with our schools. We've had Rob Angelo; we have Commissioner Repollet coming down on March 15; we've worked with the Assistant Commissioner of Education, Bob Bumpus; and we've had Lieutenant Governor Sheila Oliver down, as well, to show, "Look at these resources; look what we are doing on our own, building this industry here."

And we have gotten great support also from the New Jersey Economic Development Authority. I just think it's-- I want to point this out quick. We have a \$100,000 grant to create an Aviation Technical Academy to teach students to work on aircraft. Because we also, as a component of our Aviation Innovation Hub, want to attract air cargo, and maintenance and repair companies to fly their planes in to get fixed. Southwest is flying to India to get fixed; that's crazy. We want to create the environment where we can attract maintenance, and repair, and overhaul operations to come into Atlantic County. The airport's

underutilized; we have the available real estate to create these facilities for these companies. And we're talking to them, and they're knocking on our door, and they're very interested in coming. And we need a little help to push it over, which is how I'm going to link this back to Grow New Jersey.

We've looked at, you know, the Governor's suite of programs. And, you know, I like what Tom Bracken and Michael Kerwin have said about taking the best of each. And I'm not going to spend a lot of time on that. I think that we can do drill downs at a later date.

I do want to talk about-- With Grow New Jersey, with not having this lapse is-- How important it is. And a 90 percent limiter -- the 90 percent limiter-- That's a 90 percent limiter; it's actually a barrier for some of the manufacturers that we're looking to bring in, into Atlantic County, that would be outside the Garden State Growth Zone. Because the 90 percent limiter applies outside of a Garden State Growth Zone, and it does not apply to distressed municipalities. So when you heard Michael and John talk about that, it's the 65 distressed municipalities that do not have the limiter on them.

So middle-class-- Companies that come in to create blue collar, middle-class jobs -- if they're in a priority area, in a suburban area, they're limited on 90 percent of the State income tax withholdings. The value of the grant cannot exceed 90 percent of the State income tax withholdings. So when you're talking about a \$50,000, \$60,000 job, the income tax is about 2 percent -- that's what's going to limit the value of the incentive, not the calculated value. So the way Grow works is, it's the lesser of; 90 percent of the income tax withholdings or the calculated value.

And when we did our studies and looked at this -- unless the jobs are north of \$100,000, the 90 percent limiter is always going to reduce the value of the grant. And this is what starts pushing companies for us. And we've had this happen; before we had our Garden State Growth Zone, we've had aviation companies that were looking to come into our Aviation District. Before we had it as a Garden State Growth Zone, they were looking to go into Atlantic City, where there was no 90 percent limiter; and then drive 15 minutes to work with the FAA -- completely defeating the purpose of our Aviation District. It was absurd; and the numbers were significant. For a 225 project job, it would be a \$15 million value to be located in Atlantic City -- which, by the way, there's no Class A space to place them -- or a \$5 million project to go next to the FAA, in our park.

And these companies, because of the real estate departments, are forced to look at this -- because that's a big delta there. Which is why that 90 percent limiter -- it doesn't apply in a Garden State Growth Zone; which is why I can't stress-- You know, with the companies that are coming in, looking at us, they look at incentives, and they look at workforce development.

The other place, on the incentive side, that we absolutely have to look at is over at the Department of Labor and Workforce Development, and how we use that money to train employees. The challenge that I have right now is a chicken-and-egg problem -- is that Workforce Development funds are used to train employees who are sitting in New Jersey companies, sitting in New Jersey. My companies that I'm looking to attract aren't here yet. So if I want to train somebody to work on aircraft and engines, and the maintenance and repair companies-- The reason that Spirit put their

maintenance and repair operation in Detroit -- we didn't have the workers. But I can't get funds to create an aviation technical school, because I don't have any MRO companies here to place them in.

I'm not sure what the solution is here; but how you get to solutions is you understand what the problem is, and you work towards solutions on this.

The last thing I want to say -- and I did talk about subcontractors. I do want to talk about this, because this was in our Bill, and it got lined out when it got conditionally vetoed by the Governor. And also the extension, by the way, which only gave us a three-year extension. We only had nine months; companies don't make locational decisions like (indicates) a snap of the fingers. Nine months -- we really battle with, we put money into it? And you heard about marketing today; do we put money into a marketing plan? We're not going to market something, and it evaporates in nine months. We did the best we could with it; that's why we really needed that three-year extension, because we understand companies make locational decisions in a three-year window.

But the subcontractor component of it -- why that's important. Many of the companies that we work with subcontract out to small businesses that work with the FAA, the Defense industry, and the Joint Base that we're working with -- our contacts through NJIT. They don't get credit; these small contractors follow these companies. They create tremendous wealth by following these companies. Other states give credit to the small contractor as a part of the economic analysis, and we don't, and it needs to be repaired and addressed in the next round of incentive programs.

I'm not going to talk about the Pinelands Commission or CAFRA -- the Coastal Facility Area Review Act. Atlantic County is covered -- except for very small piece in Mays Landing -- by some of the heaviest regulatory agencies in the State. So we're up against that as well. But, like I said, I'm not going to go down that dusty road right now.

The last thing I want to say is, I want to invite you. I think that the FAA and what we have, and our first building being completed is one of the best-kept secrets in New Jersey; again, one of the largest laboratories in the world. And I want to invite you down to come see it. It's incredible. I want to have my Cape May partners there. I want to have my Joint Base partners there. I want to have my Salem and Cumberland County partners there to be able to show you that we're building a regional economy. And with the expiration of Grow New Jersey, I'm looking at this -- it's starting to get away from us. And the clock is ticking. I really want to start an aggressive marketing program to tell these companies that I can put a compelling, motivating incentive package on the table.

I'm available for any questions, if you have any questions.

SENATOR CRUZ-PEREZ: Thank you, Mr. Moore, so much for your testimony.

You actually answered my questions, because I was going to tell you that language in the Bill that -- it was specifically for you guys. You have a specific industry that needs to do business with subcontractors. And that (indiscernible) unfair, because that's how you do your business. Your industry -- that's the way it is.

So thank you for clarifying that -- that was needed; and maybe we need to continue to echo that sentiment that this industry needs to subcontract to be able to function.

You also gave us a progress update on the Center; thank you for that.

What is the next step for the Center now?

MR. MOORE: Thank you for asking that; and I had that in my remarks, and once I started rolling here, I skipped over it.

So we are starting to look at the financing package of how putting our -- how to finance the second building in the Tech Park. We have enough interest now that we're starting to look closely at how we're going to put that financing together.

The County, through the Atlantic County Improvement Authority-- And this is one of the really unique things about Atlantic County. Atlantic County is using their Improvement Authority-- I started my career at the Mercer County Improvement Authority, so I understand a little bit how improvement authorities can be an economic development tool for the County. And Atlantic County floated the bonds; the County guaranteed the bonds, and they built the building.

We're trying to move off of that model, if we can, to be able to bring in developers that are able to finance the building. Because we also worked hard with the Governor's Office to get a portion of our Aviation District designated as a Federal Opportunity Zone.

And I have to tell you, we're still kind of looking at the regulations to see how we can get this to work, so that investors that have capital gains can come in and be able to build the building here. So that's

something, as well, that's on our mind, as we're looking-- So our next step is to look at the financing to build the building. The next thing in our Aviation Innovation Hub is to continue to work with Embry-Riddle, because we're very excited to bring in STEM classes into Atlantic County. And we're hopeful that we can do this as a pilot, so that it spreads across the state. And Embry-Riddle is very, very excited to work with us, to bring these STEM-related-- It's very cost-effective to do it; and we're working with the school districts on how to make that work.

SENATOR CRUZ-PEREZ: Well, fantastic.

Assemblyman Armato.

ASSEMBLYMAN ARMATO: Thank you.

Lauren, thank you for coming out today.

MR. MOORE: Thanks for having me.

ASSEMBLYMAN ARMATO: One of the main reasons that we're trying to diversify is quite obvious. That when the casinos closed, we became the -- we're the capital of foreclosure homes. We had the most in the state; probably the most in the country. We desperately need to diversify.

Of all the things that are holding us back-- And I understand that June 30 is a detriment to us on that avenue; but you said you didn't want to go down the dusty roads of the Pinelands. And neither do I, to be honest with you, because it does no good.

But I want you to try to let us know how much that deters business in Atlantic County.

MR. MOORE: The regulatory challenges?

ASSEMBLYMAN ARMATO: Yes; because I'm from the other end of the County; I'm from Buena Vista Township. We can't do anything, literally, except maybe warehouse. And I would actually view them as a partner; I don't want to make them an enemy, but I would definitely want to equal them, and then give us input on what we can and can't do.

But really quick -- how much does that hurt Atlantic County?

MR. MOORE: So the regulatory side, with the Pinelands -- you know, time is money. And, you know, we all want a clean environment; and time is money. And it's about being able to-- And this has been the challenge when I worked, you know, in Trenton -- I think I worked in every building, over 20 years, on State Street; by the way, it feels good to be back in Trenton -- is to be able to bring time predictability when we're working with the Department of Environmental Protection and we're working with the Pinelands Commission. That just being able-- You know, submitting in a permit request, and then wondering when somebody's going to get back to you, and how long it's going to take.

And then, you know -- and this also goes with other Departments as well -- we really need to put a time clock on this; so that once it's submitted and you get a crack at their comments, you respond to the comments, make a decision. Because companies -- and someone might kick me under the table over this -- are okay with "no;" they'll find some other way to get it done. It's when you don't get an answer, and it just drags on, and on, and on; and the clock's burning, they're carrying the mortgage and the paper on the property. How we can work to fix this with them. And it comes up -- almost every project that we work on is the time predictability working with the Pinelands Commission.

And I want to be careful, because I have to work with the regulatory crews over there, and I don't want to create issues. But we need to get them on a schedule, so that we can bring time predictability to the development process; because then it's going to allow me to pitch and sell Atlanta County in a much stronger position.

ASSEMBLYMAN ARMATO: Also, I want to be perfectly clear. I want those to be a partner and not an enemy. But maybe something that you could start looking into now is the time frame.

MR. MOORE: But Assemblyman, I've got to tell you that -- thank you for saying that, because you jiggled it loose. Because when it's, "No, you can't do that" -- well, how about, "Well, how can we do it? Can you give us some recommendations?" Because I used to say -- and I still do -- "Well, we're not engineers, and that's what we don't get paid to do. But hey, you know your rules; you know how the rules work, and what can work within the framework of your regulatory program. How can we get to 'yes'?" That's a very, very important point, and it's a customer service point that I think all the regulatory agencies need to subscribe to.

ASSEMBLYMAN ARMATO: Thank you.

SENATOR CRUZ-PEREZ: Thank you.

Senator Oroho.

SENATOR OROHO: Chairwoman, thank you very much.

And just on that point, Assemblyman, I represent -- and Assemblyman DiMaio as well -- in the Highlands. And there was a specific delination between the preservation and the planning area. And we tried to make sure, in the Economic Incentive Plan, that the planning area would be included. Because it's basically shut down.

MR. MOORE: It's called an *Other Planning Area*.

SENATOR OROHO: Right.

MR. MOORE: Yes.

SENATOR OROHO: And quite frankly, you know, the timelines -- just the-- It really shut down the whole area. And I would love -- whether it be the Pinelands, the Highlands, the (indiscernible) -- I think it should all be taken a look at. We all want a clean environment, you know? Some people would say that, you know, we don't; but yes we do. But at the same time, there has to be that balance, and see how we -- particularly in my case, the Planning Area -- where we could help. Because the Economic Incentive Plan -- and as the Somerset study showed -- it really didn't affect, I don't think, in the Highlands area at all, you know? Even in the Planning Area.

But the one thing -- with respect to subcontractors I think is very important because we did hear about how a new plan should help small businesses. And then the subcontracting -- obviously that would be more the area of the small businesses.

And the other thing which I would say is, when we did the 2013 plan, obviously your plans are always -- they portray the economic times that you're in. And we're coming out of -- obviously, in the late part of the Great Recession, we're coming out of that as well, and was focused on how can you get more capital investment--

MR. MOORE: That's right.

SENATOR OROHO: --and big capital.

MR. MOORE: That's right.

SENATOR OROHO: And so times have changed now. That is some of the reasons why we should be looking at that.

The 90 percent -- and I think this is important because, you know, I know Mr. Bracken brought it up as something that was very important -- that net benefit test. And somehow we have to be able to look and say, "Okay, how do we make sure that we're getting the correct return on investment?" And that net benefit test is that -- the idea that it wasn't costing us anything because it was incremental. We were giving incentives based on the incremental stuff we were getting.

MR. MOORE: That's right; that's exactly right.

SENATOR OROHO: But somehow, the interaction of the 90 percent and the net benefit test is something -- we have to be very careful about how we craft that. So we have to come up with some other kind of way of saying, "Okay, what is the net benefit?" Because I think that 90 percent withholdings thing was a key component of that net benefit. It probably -- we probably didn't do it the right way, and I think we have to take a look at that.

And I could not agree more with the subcontracting, because that would actually help our small business component.

SENATOR CRUZ-PEREZ: And you're right on the money.

I remember -- I used to work for the Improvement Authority in Camden County. And one of the purchases we did -- we mandated that big companies will subcontract the small companies to help them.

So it's critical, as I ask this question to the prior people testifying, are we doing enough for the small companies? No, we're not. And this is a great opportunity to actually incentivize the small companies

and help them along the way. It's going to be a huge advantage in New Jersey.

Anybody else have a question? (no response)

Well, Mr. Moore, thank you so much for your testimony

MR. MOORE: Thank you very much.

And as a parting comment here, one of the things that we're working on is a \$1.5 million grant with the U.S. Economic Development Authority; the U.S. Economic Development Agency, with the National Institute of Aerospace.

One of the other things that would be very helpful for counties in their economic development endeavors is State participation in a grant fund. A lot of these Federal grants that we compete for -- and I actually have two of them right now for Atlantic County; we're going for a third -- is cash match. And, you know, we struggle with trying to raise the cash match within our business community, because a business community, largely, is the service industry to casinos, and the tourism industry. Having the State have a set-aside fund that counties could compete for a cash match when we're going to the Feds for grants-- Because we're all learning now how to leverage; and I've almost become a grant master, you know, in doing this now for the County and my organization. But I'm struggling, trying to raise money from the private sector to get that cash match.

And we score better with the Feds when you have a higher cash match. So if I applied for \$500,000, they're looking for a one-to-one match. And a State fund to help us with a cash match, combined with Grow New Jersey or a hybrid Grow New Jersey -- I'm back in business.

Thank you very much.

SENATOR CRUZ-PEREZ: Thank you so much for your testimony; and thank you for your patience today.

David Henderson and Michael Goldstein, HHG Development, Roebbling Center, in Trenton.

Thank you so much.

DAVID HENDERSON: Thank you.

Good afternoon.

We are the developers of Roebbling Lofts and Roebbling Center, in Trenton.

The Roebbling Loft project, which is the residential component of the project, is almost completely leased, which is a great result. That was actually an EDA, multi-family ERG-funded project, in part.

The commercial part of the project, however, has not yet scored a major tenant. We've come close a couple of times, with corporate headquarters; one from out of state, from Philadelphia; another from another part of New Jersey. But in both cases, the challenges of relocating employees -- the stated reason -- had the deal not go through.

Our take on what was behind that was that, under Grow New Jersey, that would have been a 15-year commitment to moving their headquarters into the City. And their concern was, what was the long-term prognosis for Trenton? What was the long-term support for the revitalization of Trenton?

And so absent a really robust, long-term commitment on the part of the State -- and this is not something the City can do, they don't have the resources; and the County as well is somewhat limited in this. For an emerging market like our Capital City to really take advantage of the

new economy -- where, due to Millennials preferences to live, work, and play in kind of authentic, walkable urban areas, diverse areas -- we need a very solid commitment on the part of the State -- which was relatively robust -- is now disappearing; is the opposite of that.

So I guess-- And this isn't-- I mean, this isn't just about how do we prime the pump and get Trenton to work. This is actually more global in its reach. Because if you look at where the development is happening, where the jobs are happening in the new economy, they're happening in traditional centers, in urban centers, in cities. If New Jersey is going to tap that growth and get those new jobs, it's going to do it in its cities; but not if its cities aren't up to speed with the infrastructure and the support. If they're not reinvested to the level where a company can see their way to move there, it's not going to happen here. It'll happen in a few cities -- New York -- or in other states that have figured this out.

The growth that we saw in the 1980s in New Jersey suburbs is not happening again, you know? So you can talk about, "Well, you know, Grow New Jersey favored cities." Well, that's probably okay, because that's where the growth is happening no matter how you write the incentives. That's just where people want to live, work, and play.

So I can't stress it enough. I think the path to success, or continued success in the State, in job growth, is going to be through our cities. And part of that is developing the infrastructure of cities; so one real challenge to urban development is parking. Trenton currently needs three parking decks -- one downtown, one in our part of the Wire Rope District, one in the County-owned part of the Wire Rope District. Even with the robust Grow New Jersey incentives, when you included the cost of building

those garages into the project cost, you would come up with lease rates -- like crazy lease rates; like \$50 to \$70 a foot.

So I think we have to think about parking as something that just has to be publicly funded as infrastructure if we want to make development possible. And ideally, fund that parking ahead of time, because companies don't like wondering if someone's actually going to fund the parking that will allow them to actually take advantage of the incentives, and move their headquarters into it a new market or an emerging market.

So it doesn't have to be publicly run; certainly, it would probably be better privately run. But it's going to need public funding in some form.

Lastly, there's one piece of low-hanging fruit -- a very small incentive -- that would have a very -- an outsized impact; and that's the State Historic Tax Credit. The State Historic Tax credit -- at whatever percentage we think is viable, given our fiscal constraints -- that mirrors the Federal incentive exactly -- I mean exactly -- would have an incredibly outsized impact on development in urban centers, because urban centers tend to be historic centers. So in this new economy, if the growth is happening in urban centers, it's happening in historic centers. The development is likely involving historic structures. And a University of Maryland study has shown that other states, with their State Historic Tax Credit, get \$4 back for every dollar in credit that goes out the door. That's huge. In addition, you capture a ton of Federal funding. You know, the last gentleman was talking about matching Federal funds. Well, for example, Virginia funded, from 2002 to 2016, 1,286 development projects.

In the same period, New Jersey funded 151. So having a State tax credit allows many, many more projects to go forward; and many, many more Federal dollars to come our way.

Also mirroring the Federal program, the NJ DEP SHPO office -- that's applications for the Federal program -- if the criteria match, then you're eligible for one, you're eligible for another. It doesn't incur an additional administrative cost or fees on the part of the applicants. It's also a program that tends to be usable for very small projects, as well as medium and large projects. You know, we used the NJ Multi-Family ERG Project for a \$40 million loft development. But the Historic Tax Credit could fund a \$50,000 small business reinvestment, you know, on your local Main Street just as successfully as it could fund a \$40 million project.

And there's also, I think, a labor-workforce development aspect to this. Restoration is labor-intensive, and a lot of the labor can utilize unskilled workers and give them very simple on-the-job training. So we've done-- And we've done a ton of restoration in working in Trenton since 1994. We have ended up training workers, who then -- from a pool, a large pool of unskilled labor, who then have marketable skills and could then go on and further their careers in construction. And because it tends to be unskilled labor, local residents tend to end up being that labor; so that labor tends to end up being very diverse as well.

So by just taking a preservation credit, mirroring a bunch of technical preservation requirements that the Federal government created, you end up getting all these other benefits without having to create any metrics, or monitor or approve anything. It's a very interesting, little incentive that I think would be well worth doing. And I know Senator

Turner has a bill out there which, in its current form, would work perfectly; it does exactly that.

So I would encourage you -- that's a piece of low-hanging fruit. Even Mississippi has this, so we're kind of behind on the list of states to get this done.

Thank you.

ASSEMBLYMAN JOHNSON: Okay, sir.

Are you David or Michael?

MR. HENDERSON: I'm sorry; I'm David Henderson. Michael, unfortunately, was not available to join me.

ASSEMBLYMAN JOHNSON: Okay; I just wanted to get the name down for the record.

MR. HENDERSON: Yes.

ASSEMBLYMAN JOHNSON: Okay; the Co-Chair has a question.

MR. HENDERSON: Yes.

SENATOR CRUZ-PEREZ: You mentioned that some of the developers have difficulty attracting tenants to the new commercial complex. Are you aware of any program that the State has, or any incentive, or any assistance that can be provided these developers so they can actually attract tenants to the newly developed complexes?

MR. HENDERSON: We have worked with the Business Action Center and Choose New Jersey. We're pretty well-versed in the EDA incentives that are out there. And we certainly worked with the Greater Trenton -- or Trenton Partnership. We work with George Sowa, and a number of other, kind of, local resources.

The challenge at the end of the day was -- there has not been, in recent history, a kind of unbending, reliable commitment from the State that the City, you know, will turn out.

And I think there have-- You know, we've been through 60 years of dispersal, right? I mean, the demographic trend of concentration back in town centers and cities is only a few years old. So there were a lot of things that were tried in that period that didn't turn out because, in fact, the larger demographic trend was not that.

But now it's a very different world; and they will work. But I think what we need is a very robust incentive from the State. But also, you know, funding for infrastructure, like parking; that was part of the original Grow New Jersey ERG package. It just ran out of money.

I think Grow New Jersey, in general, is a reasonable model for an emerging market like Trenton. And I was, you know -- I worked with some of you on the Garden State Growth Zone concept, which really recognizes that certain emerging markets need richer incentives to prime the pump. And that may look expensive at the outset; but at the end of the day, if you can get a couple of major companies into Trenton and, you know, jumpstart this economy, the return will be huge. And the alternative, of course, is it'll just go to Pennsylvania -- to Philly, which has figured this out.

So I think it isn't so much a lack of, "We don't know what we're doing." We had JLL as our brokers; they have an international reach. And we came very close. I think it's really -- we need to deal with the parking issue, up front; and we need kind of an approach, a partnership, that is long-standing; that some major company looks at us and says, "Yes,

well, we may be first, but, you know, that's good because they're not going let go of this until it's done."

And so I think it's that kind of a partnership, between the State and the City. And with better City leadership, I think that's also possible now too; that has also been an issue.

SENATOR CRUZ-PEREZ: Thank you, David.

ASSEMBLYMAN JOHNSON: Any questions from the dais?
You called Trenton an emerging--

MR. HENDERSON: *An emerging market.*

ASSEMBLYMAN JOHNSON: Just an emerging market. So, that's like a Paterson, also? (laughter)

MR. HENDERSON: Oh, so Garden State Growth-- Well, *emerging market* isn't a term out of the Act. It's just -- I'm just referring to it-- In other words, Trenton compared to, say, Jersey City -- which is a very robust, teaming, booming market at this point--

ASSEMBLYMAN JOHNSON: Yes; it's not emerging anymore.
That's--

MR. HENDERSON: Trenton is really emerging. It's at the early days still; and particularly on the commercial side.

ASSEMBLYMAN JOHNSON: Right.

MR. HENDERSON: And I think that's generally true of the Garden State Growth Zones; although some are, maybe, a little more emerging than other.

ASSEMBLYMAN JOHNSON: Right.

MR. HENDERSON: Camden has made major strides.

ASSEMBLYMAN JOHNSON: Right; okay.

MR. HENDERSON: And I think partly what happened in Camden is, there has been, like, on the level of a state-- Like, we will make this work.

ASSEMBLYMAN JOHNSON: Yes; okay.

MR. HENDERSON: And it's a tougher situation, but it's working.

So, you know, this can work; but it really does need that kind of -- we're going to get this done no matter what.

ASSEMBLYMAN JOHNSON: Okay; yes, yes.

Any questions? (no response)

Okay; we call our next--

MR. HENDERSON: Thank you.

ASSEMBLYMAN JOHNSON: --our next up, which will be Andrew Musick; Vice President, Taxation and Economic Development, for the NJBIA.

You're bringing someone with you, Mr. Musick?

A N D R E W M U S I C K: Just me.

ASSEMBLYMAN JOHNSON: You're going to do it alone?

MR. MUSICK: If that's okay. Our President sends her regrets; she was unable to attend.

ASSEMBLYMAN JOHNSON: Okay; we just got the line, you're a one-man band.

MR. MUSICK: I'm sorry?

ASSEMBLYMAN JOHNSON: Okay, sir.

MR. MUSICK: So good afternoon, Chairman Johnson, Chairwoman Cruz-Perez.

Andrew Musick, of the New Jersey Business and Industry Association.

And I'll keep my comments brief; I know we're getting towards the end of the session here.

And I think it's no secret that New Jersey does have a challenging business climate. And included in our remarks today, I did include our updated Regional Business Climate Chart.

And, you know, these-- New Jersey has a high cost of doing business, and a high cost of living. And I think this can serve as a barrier to entry within our state.

But New Jersey's incentive programs help to make the state more competitive and more affordable; and that goes right along with our highly educated workforce and our accessibility to the major markets of Philadelphia and New York.

And we're not alone when it comes to it incentives; other states across the country utilize incentives to attract and retain jobs, and attract companies and create economic activity.

And as for the environment that relates to business attraction and retention -- it's becoming increasingly competitive; an ultra-competitive environment out there. And New Jersey's incentive programs -- they serve as a valuable tool that really helps us to offset the high cost of doing business here in the state.

And perhaps, most importantly, New Jersey's incentive programs are performance-based. That means that a company has to earn any benefit by generating new tax revenue, or hitting their job or capital

investment requirements before they receive any of the tax credits that they've been promised.

I think it's important to acknowledge that the Legislature and the EDA should be commended for taking great care to ensure that the programs deliver their promised benefits, which they have in communities across the state from Camden and Newark.

And as economic conditions change -- and these approved projects take shape -- it's right to evaluate, reshape, and recalibrate the incentives that New Jersey offers. At NJBIA, we believe that responsible tax incentives play a key role in our economic development strategy; and that also we should look forward to be a regional, a national, and a global leader in business attraction and retention.

We also support transparency, sufficient monitoring, and oversight of these programs.

So as you move forward, designing the future of New Jersey's economic development incentives, I just ask you to consider the following recommendations. And I'm not going to list them all; they're all in the written testimony we provided today.

But I think a few of the key ones, really, are: to further increase the State's return investment on these incentives; to strengthen program governance; to expand access to small businesses and rapidly growing technology companies; and to focus a percentage of those investments on high-growth sectors, and those sectors that will leverage the most impact here in the state.

At NJBIA, we're committed to making sure that New Jersey can reclaim its stature as the innovation state; and we also bring together

business, government, and higher education, through our leadership, in creating a Postsecondary Education Task Force. In addition to that Task Force, earlier this year we released a report titled *Indicators in Innovation*. I see that's the report a few of you are looking at right now; and I've included that in your packets.

In order to sustain and jumpstart the State's innovation ecosystem, a couple of points I would just like to highlight: That we need to analyze the impact that any policy is going to have on New Jersey's overall regional business climate prior to implementation. We need to increase the thresholds for those investing in research and development, and small and emerging technology companies here. And lastly, it's important to increase venture capital throughout the state to attract startup companies that provide economic development and create jobs.

So I'll close by saying that we look forward to working with you to reshape New Jersey's economic development strategy going forward; and to create a business climate that drives economic growth and job creation here in the state.

So I'm happy to have the opportunity to participate today, and I'm happy to answer any questions you may have.

ASSEMBLYMAN JOHNSON: Thank you.

I have a small observation that I made a few days ago, when I was invited to a facility in Lodi, New Jersey, the County of Bergen. Lodi CML Cooperative, LLC; a 35,000 square-foot facility; it employs about 250,000 people. They got their, I guess, seed money, or -- by using the BEIP program, okay?

They supply all the doughnuts to Dunkin' Donuts in Northern Jersey and New York; but not that that's important. (laughter)

SENATOR OROHO: It is.

ASSEMBLYMAN JOHNSON: That's right; if you like doughnuts, that's the place to be. (laughter)

But this is a small company, 250,000 people. Employ local people; train them -- because it's largely automated -- and plan to expand to make ice cream for Baskin-Robbins.

So even though I'm Bergen County, we're not totally overweight, but we're going towards that goal when this facility gets in there -- between doughnuts and ice cream.

But this is an example -- a small example of how the incentives not only help people grow, businesses grow; but also allows them to employ local people, and allows them to get into the middle class, and feed their families, what have you.

So I'll close by saying that.

Madam Chair.

SENATOR CRUZ-PEREZ: Anybody have a question?

SENATOR OROHO: I just have one thing.

SENATOR CRUZ-PEREZ: Senator Oroho.

SENATOR OROHO: I just want to thank BIA because-- You're looking through the data; obviously, the data is important, the measurements are important. And how you drill down to see what that data means is even more important.

So I just want to thank you for putting this together. I'm really looking for that on page 17, and how the interaction between minimum

wage, top income rates, corporate rates, individual corporate rates, sales tax rates -- all those issues that-- What states come out on top. But to me, this does show it; and I know BIA has done a lot with the out-migration. And it's that drilling down-- That's what I was trying to get with the college presidents' stuff before. We have to know where we stand, versus the rest of our competitors in our region and the country. Because unless we can take a look at the data and really understand what it means, we're not, you know -- we won't know what steps to take, you know, in order to make sure we either stay well or we get better.

So thank, BIA, for doing that; thanks, Andy.

MR. MUSICK: No, thank you, Senator.

SENATOR CRUZ-PEREZ: Thank you, Senator Oroho.

Anybody else?

Assemblyman.

ASSEMBLYMAN FREIMAN: Andrew, thank you.

MR. MUSICK: You're welcome.

ASSEMBLYMAN FREIMAN: So when I take a look at the one-pager you handout--

MR. MUSICK: Yes.

ASSEMBLYMAN FREIMAN: --you talk about -- the first stage is the climate--

MR. MUSICK: Yes.

ASSEMBLYMAN FREIMAN: --the regional climate; the back page is about taxes.

Is New Jersey-- So, you would infer by this that we're shooting ourselves in the foot solely based upon taxes. Would you concur with -- is that the messaging you're sending?

MR. MUSICK: Well, I think what we did with the chart, you know, is really to look at the regional business climate.

And we've heard other speakers today discuss how New Jersey is never, necessarily, going to be a cheap state and compete with some of those ultra-cheap states. But I think what's important -- and what we're trying to get the message across at NJBIA -- is that we create an environment here in New Jersey that's competitive and that is affordable within our own region. And that's both for our residents of this state, and for our businesses as well.

And if we do that, that's going to create an environment that will keep those businesses here. It'll encourage businesses to locate here, and it will also help us to keep those -- I say *those*; I'm one of them -- but Millennials here in the state, you know, from out-migrating to go to school and even just after they graduate.

So I think -- that's the overarching theme, is that we want to make sure that New Jersey is as competitive and affordable as it can be within its region -- within the region; excuse me.

ASSEMBLYMAN FREIMAN: Okay.

Where does BIA-- How does BIA feel about the ease of doing business; the talent and those factors, as it relates to the mix of-- Geez, you know, this is-- If we can fix those areas; if we can help-- As you pointed out, we're never going to become-- The practicality of making New Jersey

attractive from a cost perspective -- probably not an area we can go down. Improving, but it's not going to be our competitive strength.

But working on areas of ease of doing business; and moving the needle significantly in those areas. Is that something the BIA believes we should focus in on?

MR. MUSICK: Absolutely; I mean, we have a robust education and workforce development initiative at the Association. We've been a leader in this space. We created a Postsecondary Education Task Force that is really focused on making sure that we ensure that our college-age students here, stay here in the state; and that our employers have that educated, that skilled, and that trained workforce that they're looking for.

And we consistently try to highlight the positives here in New Jersey; you know, whether that's the world class workforce we have, the infrastructure network that we have. But we also have to be clear that the high cost of doing business here is a challenge for companies in the state and those that are looking to locate here.

ASSEMBLYMAN FREIMAN: Okay; thanks.

MR. MUSICK: You're welcome.

SENATOR CRUZ-PEREZ: Thank you so much.

Anybody else? (no response)

Thank you, Andrew, for testifying in front of us.

MR. MUSICK: Thank you.

SENATOR CRUZ-PEREZ: Is International Union of Operating Engineers Local 825, Kate Gibbs--

There you are; you were hiding behind him.

Come on forward, please.

K A T E G I B B S: Hello, and thank you for having these important hearings.

And thank you for inviting us to come and speak about our perspective as a labor union.

So my name is Kate Gibbs, Business Development for the Engineers Labor Employer Cooperative -- which is the Labor Management Fund representing the International Union of Operating Engineers Local 825, as well as the signatory contractors who employ them.

So a Labor Management Fund is a separate entity, set up by a union, to work collaboratively with our contractors. And I always like to say the union's job is to say, "Here's the construction pie in our jurisdiction" -- which, for our local, is the entire State of New Jersey -- and say, "Let's try to make our piece of the construction pie as big as possible."

Our job at ELEC, at the Labor Management Fund, is to encourage growing that pie in creating more work opportunities. You know that development begets more development; that focusing on workforce development investments in infrastructure -- all of these things are so keenly tied, intrinsically tied with economic development, which creates more economic development and more projects for our members to go to work.

So I'm here today to represent both the over 7,000 members of 825, and those contractors. And our organization, in general, focuses on creating opportunities by supporting economic development, investments in infrastructure, and specific construction projects.

I was really pleased to hear a lot of the speakers today speak about the importance of infrastructure. We know that in New Jersey we

have a great deal of infrastructure; but it's crumbling, and it needs to be-- The infrastructure that we have needs to be well-maintained and modernized, and we need to expand our infrastructure.

As Mr. Bracken stated, we were all part of the Transportation Trust Fund Renewal Campaign -- you know, Senator Oroho -- and we worked very hard to make sure that those funds were available for the transportation infrastructure improvements that we need. And we need to make sure that the funds are getting out, and that these projects are actually happening. And there seems to be a backlog in getting the funds that have already-- You know, we have the money; they've been -- projects have been awarded with funds. But they're not getting out of approval and getting into the construction phase. And so for our member, right now, we're seeing that the only projects that they're working on is, really, paving. And so when that dries up, there isn't going to be this pipeline of projects, because they're stalled in DOT. So something to look at, in terms of economic development.

But on the topic today -- our contractors and members have greatly benefited from the Economic Opportunity Act and Grow New Jersey, commercial ERG, and other tax incentive programs, having not only worked on the projects receiving those incentives, but also their related infrastructure improvements; and on the ancillary projects that have been spawned from the economic development created by the incentives.

Now, critics of these programs have called incentives *corporate welfare*, suggesting that the State of New Jersey has not received an adequate return on the investment of \$8 billion in awards since 2010. We believe that this criticism is both unfair and misleading. First, these funds are not

payments, but tax credits; and secondly, it's important to note that the term *awarded* does not mean that these funds were handed over in a lump sum cash payment, but rather these programs are performance-based, over time, and the tax benefits are only realized if the capital investment and employment conditions, that were approved by EDA, have been met and certified at time of completion, and for the full term of the of the tax credit incentive.

Grow New Jersey has provided work opportunities for us in distressed cities throughout New Jersey, for our members and our contractors and improved the quality of life for the local residents of these communities; as well as strengthening the local economy and our state's economy, while mitigating the flight of wealth from our state. In fact, over 70 percent of the 247 projects that were approved by the EDA through year end 2017 were in New Jersey's distressed municipalities, representing over 84 percent of all credits to be earned.

Considering the dramatic changes in our economy, the commercial real estate market, and the vision and priorities of the new Administration, now is a good time to recalibrate and reform these successful programs. However, it's important to identify and maintain the quintessential features of the current incentive programs, while ensuring that these new programs will meet the needs of the current market and can be sustainable as we move New Jersey into its bright future.

So a few recommendations: First, on scale and scope, we would suggest modifying overall tax credit limits -- tax credit amounts to reflect market conditions, to both -- in selecting projects and where they're located;

except for, you know, keeping a focus on those areas that are most distressed and that need to remain a priority.

We recommend focusing on high-growth sectors and expanding access to small businesses, startups, and rapidly growing technology companies.

And we agree with concentrating incentives primarily on new jobs; limiting tax credits for retained or existing jobs, but not eliminating them. As you heard from the Somerset County Business Partnership and others, there are some locations and some cases where retaining those jobs is critical to their local economy.

New Jersey has continued to lag behind the nation, partially due to our high costs and partially because of are burdensome regulations. So in order to grow a fair and stronger economy for all New Jersey residents, we must continue to provide our most distressed municipalities the tool they need to attract investment and ignite the local economy to create jobs and reduce the property tax burden.

It's critical that the new incentive programs remain committed to the end-focus on the municipalities and residents who need it most. And in order to leverage tax incentives into greater economic returns, it's imperative to invest in these emerging and rapidly growing industries by attracting well-paying job creators, and providing additional opportunities and greater access for smaller and newer companies, rather than only larger legacy companies.

We also recommend market stability and consistency. While the economy is recovering and the need for longer-term tax credits has waned, the commercial and residential markets still face volatility and

insecurity. A 10-year program cap, at least, is recommended to both provide stability and consistency needed to attract investment without allowing municipalities to develop a permanent reliance on these subsidies. The new programs should be designed with some consistency in mind, as developers and investors, both within New Jersey and outside, need to be able to easily understand how these programs work and how to navigate through the process. If the process is too burdensome or radically changed, it may create confusion and have a chilling effect on the market.

And we've heard from our development partners -- even over the past year or two -- that the uncertainty that has been created by the debate in the media has already put a chilling effect on investment. So we need to make sure that these new programs are consistent so that they can understand the way they work.

And lastly, and most importantly, I want to talk about protecting the taxpayer. As we look back on the successes of these programs, as well as the lessons learned, we must continue to strengthen program governance so that the investment from New Jersey property taxpayers is better protected. This can be accomplished by increasing the documentation required to prove the tax credit *need* to compete with other states, and by working with the EDA, and other stakeholders, to identify, improve, develop, and implement best practices, and make any necessary reforms to the administration of the program.

In addition, ELEC 825 strongly supports the time-tested labor protections -- such as prevailing wage, and project labor agreement provisions -- that are included in the current programs. These conditions ensure that construction work is performed safely and by highly skilled and

well-trained craftsmen and women -- like the men and women who I represent, as well as (indiscernible) from the laborers, and other building trades. And it promotes and incentivizes apprenticeship, vocational training in our workforce; and it also protects taxpaying investors funding the credits and the host communities from fly-by-night contractors who bring in unskilled labor from other places.

So really, keeping those time-tested labor protections, I believe, is crucial to this program. We've seen that these incentives have been able to bring back places like Camden and Newark. I grew up in Haddon Township, a few minutes outside of Camden City, and it's amazing to see the change in Camden over the past 5 to 10 years. It's absolutely incredible. As a kid, and as a-- When I was in high school and college, I never thought that Camden could come back in this way. And by ensuring that the members -- the men and women working on these projects -- are receiving a prevailing wage, that means that these folks are not relying on State services for health, welfare, retirement. All of these things are funded through our own members. And so making sure that we're getting -- that we're covering that investment, we're generating money for State government revenue; but we're also preventing people from taking from -- keeping people off of welfare programs and social welfare programs. Because the best social welfare program is a job; and our members want to work. They want fair pay for a fair day's work; and so keeping those things tied to these incentive programs we believe is important -- not only for the workforce, but for the State of New Jersey for making that investment.

I'd be happy to take any questions; and thank you so much for allowing us to bring our perspective.

SENATOR CRUZ-PEREZ: You are so right on point. The best social service that they can provide is a job. And believe it or not, as someone who dealt with constituents that my County had, before it used to be, when they used to come to the office, "I'm looking for a job," "I need a job, I need a job." Right now, what I'm hearing is, "I need housing."

So jobs -- we're doing very good. And Camden definitely has been doing fantastic. I moved to Camden in 1991; and to see what is Camden today is amazing; you are absolutely right.

Senator Oroho.

SENATOR OROHO: Yes, I just have one comment.

And Katie, thank you very much for being here.

A couple of things we heard today -- we heard it from Tom Bracken and we heard it from Katie -- I think one of the recommendations, because it is an important part of our economic growth-- That we should probably recommend to our colleagues on the Transportation Committees -- maybe to have a joint hearing about, you know, we did the Transportation Trust Fund. The issue of-- You know, I've heard the complaint a lot that the money is not getting out onto the roadway, into the projects. There seems to be some sort of roadblock -- excuse the pun -- but roadblock in the pipeline. So if there is some way, maybe we should suggest that our colleagues on the Transportation Committee hold -- maybe delve into that, you know, somewhat.

MS. GIBBS: Absolutely; because we know that local businesses-- Developers looking to locate within some of our municipalities are facing increased pressure from local residents who are saying, "Yes, we wanted the ratables; but hey, the economy is doing better now, and I don't

want to deal with any more traffic.” We shouldn’t have to be rejecting development that’s bringing warehouse jobs, and advanced manufacturing jobs, retail and residential. We don’t want to have to, you know, turn these projects away simply due to traffic; especially when we worked so hard to get the funds for the Transportation Trust Fund. Now let’s get these dollars out to work on the street, put people to work, and make these other projects possible.

SENATOR CRUZ-PEREZ: Yes, absolutely.

Anybody? (no response)

Well, thank you so much--

MS. GIBBS: Thank you.

SENATOR CRUZ-PEREZ: --for your testimony.

We have one last testimony. The person is not here, but they couldn’t attend at the last minute, and they asked us to read their testimony--

MR. ROTHBERG: --into the record.

MR. BRENNAN: The testimony that was provided by Deborah P. DiLorenzo, from the Chamber of Commerce of Southern New Jersey.

“Thank you for the opportunity for the Chamber of Commerce of Southern New Jersey to weigh in on a topic crucial to South Jersey: how the New Jersey Economic Development Authority’s various tax incentive programs, including Grow Jersey and the Economic Redevelopment and Growth program, have impacted the state; as well as what changes can be made to improve these programs in the future.

“The CCSNJ believes that there are three economic anchors to the South Jersey region: Atlantic City, the City of Camden, and the area in and around the Joint Base McGuire-Dix-Lakehurst in Burlington County. Historically, if these three economic engines are prospering, so does the entire region. In 2014, the Economic Opportunity Act was amended to do something not done initially -- focus on distressed South Jersey municipalities, including Camden and Atlantic City. This change has led to unprecedented growth in Camden, and on diversification of Atlantic City’s economic landscape, which has historically been overly dependent upon the gaming industry.

“South Jersey, and Camden in particular, face realities that make it harder for the region to compete for large-scale business projects, such as population, geography, and the popular incentive program in Pennsylvania called the Keystone Opportunity Zone, that has attracted many companies to the Philadelphia Naval Yard. Of course, on top of these factors, Pennsylvania and Delaware -- the region’s neighboring states -- are far less expensive than New York, so companies do not face the same economic pressure to move the South Jersey. It is these reasons that Grow New Jersey and the ERG have seen such tremendous success attracting and retaining business in South Jersey.

“Earlier this year, a report by Econsult Solutions Inc., highlighted progress the City of Camden has seen since 2006; including how investments in public safety, education, neighborhood and physical environment, health and health care, and economic development have led to positive changes for the entire community. Specifically, the report touted the Grow New Jersey incentives and the ERG program grants from

the NJEDA. The report states, ‘Between 2013 and 2017, \$1.6 billion in Grow NJ awards have been given to businesses that are likely to relocate to Camden. The same companies have made or will make at least \$1.3 billion in capital investments in Camden. In addition, these companies have created an economic environment that has provided new, non-Economic Opportunity Act businesses intrinsic certainty to open or expand their operation in Camden.’

“This type of investment and growth is undeniable and cannot be understated. However, the CCSNJ believes that there is always room for improvement, and a rigorous evaluation of all incentive programs is consistently needed and essential to ensuring New Jersey’s return on investment is meaningful and legitimate. Simply put, added oversight by State government is something we support, as long as it does not add administrative burdens on the employer community to remain eligible and comply with program requirements. There have been several proposals offered by Governor Murphy, two of which would replace Grow New Jersey and the ERG in full. These proposals make several change, including putting restrictive caps on the amount of tax incentives allocated in a given fiscal year. The CCSNJ feels strongly that by placing the cap on incentives, the State will be unable to remain competitive versus other states that are offering generous attraction measures to businesses looking to relocate.

“It is no surprise that New Jersey is an unfriendly place to do business. The reputation has only been exacerbated by the recent passage of a \$15 minimum wage, an earned sick leave mandate on employers, the expansion of New Jersey’s Paid Family Leave Act, and a restrictive and confusing equal pay mandate. These measures come on top of the fact that

New Jersey has the highest property taxes in the nation, the highest corporate 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 impact business operations. In short, capping the tax incentive programs will remove the only tool New Jersey has left to appeal to business.

“However, Governor Murphy’s focus on making more small businesses eligible for these programs is a welcome initiative. A strong New Jersey economy cannot be realized without a strong small business community. Any effort to further incentivize small- and mid-sized employers to take advantage of tax incentive programs can only be a positive for the state.

“Equally welcome is the Administration’s desire to target specific industries for tax incentives, such as life sciences, information and high-tech, clean energy, advanced manufacturing, advanced transportation, logistics and aviation, finance and insurance, food and beverage, and film and digital media. With Atlantic County’s focus on the aviation industry, and Cumberland County’s emphasis on food manufacturing, Governor Murphy has hit the mark on identifying two of the growing economic sectors in the southern portion of the state. The CCSNJ would offer that the tourism community should also be added as a targeted industry, as it remains essential to New Jersey’s prosperity.

“The CCSNJ is incredibly fortunate for the success the South Jersey region has seen from Grow New Jersey and the ERG. As we near the June 30 expiration date, the CCSNJ recommends simple tweaks to the existing programs, as opposed to a complete overhaul that includes caps on

incentives, with an added emphasis on oversight and compliance, as well as targeted industries and the small employer community.

“The CCS entry appreciates the opportunity to share our thoughts with the joint Committee on this critical issue to the New Jersey business community.”

SENATOR CRUZ-PEREZ: Thank you.

ASSEMBLYMAN JOHNSON: Thank you; thanks for reading that into the record.

At this time, I'd like to thank all the members for coming, especially those in the Assembly, who did two days in a row. We thank you for your dedication.

Bianca -- I don't want to embarrass you here -- but thank you for putting this program together for us.

And OLS, thank you for all you have done.

Senator Oroho, I believe you've called for a joint--

SENATOR OROHO: It's already in the works; our colleagues already have it in the works for a joint--

ASSEMBLYMAN JOHNSON: So you want to say a little about that? Oh, you did already.

SENATOR OROHO: I did.

ASSEMBLYMAN JOHNSON: Oh, I was eating my sandwich, I guess--

SENATOR OROHO: I did; and actually, I was informed that it's already in the planning stages. So I want to thank my colleagues for doing that; thank you.

I'm behind the times.

SENATOR CRUZ-PEREZ: And I also want to say thank you to Gene and Bianca for putting this hearing together; and the people who came to testify -- thank you so much for coming. You have brought so much information to us. We really appreciate it.

ASSEMBLYMAN JOHNSON: And we understand we need a comprehensive view for this.

So thank you.

And with that--

ASSEMBLYMAN DiMAIO: Thanks, Chairs.

ASSEMBLYMAN JOHNSON: --hit the old gavel there (raps gavel).

Well done.

Okay, thank you.

(MEETING CONCLUDED)