

ECONOMIC GROWTH STRATEGY

FOR THE STATE OF NEW JERSEY 2007



GOVERNOR JON S. CORZINE

A. STRENGTHENING NEW JERSEY'S ECONOMY

While New Jersey's economy is built on many elements of a strong foundation, the state cannot afford to be complacent. If the Garden State were an independent country, its Gross State Product of \$430 billion would make it the world's 17th largest economy.¹ In recent years, while job growth has been positive, private-sector job growth in the state has lagged behind that of the nation. In addition, some businesses believe that the state business climate is not supportive of economic growth. New Jersey must take action to return to our historic status as an economic powerhouse that creates well-paying jobs in a stable fiscal environment. This Economic Growth Strategy outlines the steps the state will take to build an environment conducive to economic growth, innovation, and prosperity. The strategy is designed to increase the number of well-paying, private sector jobs in the state, at a rate higher than that of other states in the region.

Building on the State's Strategic Advantages

To achieve this goal, the state will build on its competitive advantages, which include:

Our workforce. Our talented people, supported by significant investments from the state's leading businesses and state government, have made New Jersey a leader in innovation, research, and development, particularly in the life sciences and communications industries.

Our location. The state is located in the heart of one of the world's largest and most vibrant marketplaces. We are close to New York City, a global capital for business and finance, and Philadelphia, an important national business center. More than 60 million U.S. consumers are within a four-hour drive of the state.² With our ports, airports, and other transportation resources, we are also closely linked to the growing global economy.

Our quality of life. New Jersey residents have access to strong public schools, with the highest high school graduation rate in the country, and to world-class institutions of higher education. Our well-developed road and public transit infrastructure provides residents with a variety of transportation options. New Jersey residents also are served by some of the best hospitals and doctors in the world. In addition, the state's arts and natural resources provide residents with an array of cultural and recreational opportunities.

Our innovative businesses. New Jersey's businesses, which are responsible for a large number of technological advances, have created a strong culture of research, development, and discovery. Led by the telecommunications and life sciences industries, the state is a national leader in the number of new patents issued each year.

¹ Gross State Product data from U.S. Department of Commerce, Bureau of Economic Analysis, *Regional Economic Accounts*, "Gross State Product," <http://www.bea.gov/bea/regional/gsp.htm>.
National Gross Domestic Product data from World Bank, *World Development Indicators 2005*, Table 4.2 "Structure of Output," <http://devdata.worldbank.org/wdi2005/Section4.htm>.

² U.S. Census, "Population Estimates," <http://www.census.gov/popest/estimates.php>.

To further build on these advantages, the state will target its economic growth efforts to support industry sectors that are currently concentrated in the state and that are expected to grow nationally and internationally over the next ten years. Key industry sectors, such as financial services, information technology and communications, professional services, logistics, and life sciences are concentrated in the state because they depend on our talented workers and our close proximity to many large markets. These industries are also expected to grow nationally and represent important opportunities for future economic growth.

Six Priority Areas for Economic Growth

This Economic Growth Strategy identifies the state's six priorities for growth and articulates the specific action steps that state government will take, in partnership with the state's business, labor, education, and community leaders, to encourage and support the creation of jobs. These priorities and specific action steps are summarized in this document. Led by Governor Corzine and the Office of Economic Growth, the state's departments have created detailed implementation plans for each action step. Since the state currently faces financial constraints, all resources for executing this strategy are redirected from other sources to ensure that the strategy's execution will require no additional net spending. Instead, the state will ensure that existing resources are used in a tightly focused and organized manner to support economic growth.

In summary, the state has established six priorities:

- Priority 1: Market New Jersey for economic growth by partnering with the state's businesses and helping them to grow and prosper;**
- Priority 2: Develop a world-class workforce by assisting the state's students and job seekers to obtain the skills and education needed in a competitive global economy;**
- Priority 3: Promote sustainable growth with a particular emphasis on the state's cities and make strategic infrastructure investments to support economic growth while protecting the environment;**
- Priority 4: Nurture the development of new technologies, and ensure that the state continues to be a leader in innovation;**
- Priority 5: Encourage entrepreneurship and the growth of small, minority-owned, and women-owned businesses; and**
- Priority 6: Enhance the global competitiveness of New Jersey's businesses.**

Implementing the Plan

The Office of Economic Growth will lead the development and implementation of the Economic Growth Strategy. Encouraging economic growth must be a core mission of New Jersey state government. Thus, all of the state's departments, commissions, and authorities will work together and collaborate with the private sector to increase economic growth and opportunities.

This strategy will be implemented in a manner that is fiscally sound, guided by the highest ethical standards, and focused on providing efficient and responsive services for citizens and businesses. This strategy will also be updated as needed to reflect changing economic conditions and to take into account input from the state's citizens, community leaders, and businesses. Finally, to ensure that the state's economic growth efforts are open and accountable, the state will continually measure progress toward achieving the goals outlined in this strategy and will share measurable indicators of progress with the public on an annual basis.

B. New Jersey's Economy: Challenges and Advantages

New Jersey's economy faces some challenges, including a private-sector job growth rate slower than the national average and negative perceptions of the state's business climate. The state's economy, however, has some important strategic advantages.

New Jersey is a major business center with more than 20% of the Fortune 500 companies headquartered in or near the state.³ This concentration of business activity reflects our strategic advantages. By many measures, New Jersey has a strong and resilient economy that provides a high quality of life for most of the state's residents. New Jersey's residents are among the wealthiest in the nation—the state ranks first in median household income.⁴ In addition, a large percentage of the state's residents share in this economic prosperity. New Jersey's unemployment rate is the 18th lowest in the nation.⁵ New Jersey has the fourth lowest poverty rate in the nation with 8.7% of the state's population considered poor.⁶

Despite job losses during the recession of 2001 and 2002, the total number of private-sector jobs is returning to pre-recession levels. In 2005, 36,000 private-sector jobs were added in the state. At a growth rate of 1.1%, this increase did lag the nation and some of our neighboring states. That same year, the number of private sector jobs in the entire nation increased by 1.7%.

While still near the top in average annual wages, New Jersey has also lagged the nation in wage growth. Between 1999 and 2005, average annual wages in the state increased 3.1% each year while average annual wages in the nation increased by 3.3%. (See Table 1.)

Some economists and business organizations have been excessively pessimistic in reference to New Jersey's current economic climate. While a recent study by the Tax Foundation ranked New Jersey 49th based on its business climate index,⁷ two recent studies have provided a more optimistic picture. These separate and independent analyses by Ernst & Young and Forbes concluded that New Jersey has the 16th lowest tax burden of all 50 states and that New Jersey is the 16th best state for business.⁸

More needs to be done to improve the state's business climate and the state recognizes that stabilizing its business taxes is critical to attracting capital investment. Governor Corzine began to address the state's tax structure in the recently enacted budget. It is the first budget in over six years to include a net reduction in business taxes. New Jersey's businesses are expected to realize a reduction in taxes through the restoration of full deductibility of net operating losses, the elimination of alternative minimum assessments, and the reduction of the tax rate on S-Corporations.

³ <http://money.cnn.com/magazines/fortune/fortune500/>, accessed April 11, 2006.

⁴ U.S. Census Bureau, American Community Survey 2005.

⁵ U.S. Department of Labor, Bureau of Labor Statistics, *Local Area Unemployment Statistics*, <http://www.bls.gov/lau/home.htm>.

⁶ U.S. Census Bureau, American Community Survey 2005.

⁷ <http://www.taxfoundation.org/research/topic/44.html>.

⁸ Ernst & Young, *Total State and Local Business Taxes*, http://www.ey.com/global/content.nsf/US/Tax_-_State_&_Local_Tax_Services_-_Overview, March 2006; Forbes.com, Kurt Badenhausen, The Best States for Business, August 16, 2006, http://www.forbes.com/business/2006/08/15/best-states-business_cz_kb_0815beststates.html.

Table 1. Current Economic Conditions in New Jersey

	New Jersey	New Jersey's Rank Among All States	United States
EARNINGS AND INCOME			
Median Household Income, 2005	\$61,672	1 st	\$46,242
Average Annual Wage Growth, 1999-2005	3.1%	38 th	3.3%
Average Unemployment Rate, 2005	4.4%	18 th	5.1%
Share of Population Below the Poverty Line, 2005	8.7%	47 th	13.3%
PRIVATE-SECTOR EMPLOYMENT (ALL INDUSTRIES)			
Percent Change in Private-Sector Employment, 2004-2005	1.1%	36 th	1.7%

Sources: Median Household Income, 2005: U.S. Census Bureau, American Community Survey; Average Annual Wages, 1999-2005: Bureau of Labor Statistics, Quarterly Census of Employment and Wages; Unemployment Rate: Bureau of Labor Statistics, Local Area Unemployment Statistics; Poverty Rate, 2005: U.S. Census, American Community Survey; Percent Change in Private-Sector Employment, 2004-2005: Bureau of Labor Statistics, Current Employment Statistics.

New Jersey's Strategic Advantages

In order to sustain private-sector job growth and increase the wages of the state's residents, New Jersey must protect and build on four strategic advantages that have historically driven the state's economic growth: our talented workers, strategic location, quality of life, and innovative businesses.

Talented Workers

New Jersey's greatest asset is its people. New Jersey ranks fifth in the nation in college attainment, with 35% of heads of households having completed at least four years of college.⁹ More than 1.7 million New Jersey residents are college graduates¹⁰ and 380,000 were enrolled in a New Jersey college or university in 2004.¹¹

The state is home to over 400,000 scientists and engineers¹² who help drive innovation in the state's businesses, colleges, and universities. New Jersey's rank of seventh in the nation in the number of Ph.D. scientists and engineers per 1,000 workers reflects the state's thriving intellectual community.¹³ While more than 75% of New Jersey's schools exceed national standards,¹⁴ the state's educational system faces challenges.

⁹ CFED, *2006 Development Report Card for the States*, "College Attainment," <http://www.cfed.org/focus.m?parentid=34&siteid=1581&id=1601&year=2006&measureid=2815>.

¹⁰ U.S. Census, *Census 2000*, http://factfinder.census.gov/home/saff/main.html?_lang=en.

¹¹ New Jersey Commission on Higher Education, *Update 2005: A Blueprint for Excellence, New Jersey's Long-Range Plan for Higher Education*, 2005.

¹² U.S. Department of Labor, Bureau of Labor Statistics, *Occupational Employment Statistics*, <http://www.bls.gov/oes/home.htm>.

¹³ CFED, *2006 Development Report Card for the States*, "Ph.D. Scientists and Engineers," <http://www.cfed.org/focus.m?parentid=34&siteid=1581&id=1601&year=2006&measureid=2830>.

¹⁴ New Jersey 2005-06 No Child Left Behind Act AYP Report.

New Jersey is home to an extraordinarily diverse labor force, making the state a hospitable location for foreign-owned companies to locate their American operations. Almost one in five New Jersey residents (18%) is foreign born, including significant populations immigrating from Central and South America (8% of the New Jersey population), Asia (5%), and Europe (4%). In addition, New Jersey is home to more than 1.5 million people who speak both English and an additional language at a high level.¹⁵

Businesses in New Jersey also benefit from a large number of skilled and talented workers who live outside the state, but within commuting distance to places of business. An additional 4.18 million people with college degrees and 754,000 scientists and engineers live within commuting distance of businesses and organizations in New Jersey.¹⁶

Strategic Location

New Jersey's location, on the northeast corridor, is also a critical competitive advantage. New York City is a global business center and New Jersey's proximity to the financial markets benefits the state's businesses. As mentioned earlier, more than 20% of Fortune 500 companies are headquartered in or near our state.¹⁷ Also, New Jersey is located in the heart of the densely populated northeast corridor, in close proximity to 60 million people, or 20% of the U.S. population.¹⁸

New Jersey's ports, airports, highways, and rail lines connect the state to the national and global economy. Newark Liberty International Airport, Atlantic City International Airport, and the airports in Philadelphia and New York City are important transportation assets, as are the state's smaller regional airports. Port Newark/Elizabeth, the largest port on the east coast and the third largest port in the nation, and the Delaware River provide convenient access for goods and materials entering the state and regional economies, and enable the state's businesses to import and export a wide range of products. New Jersey's substantial highway system and freight rail system enable goods to be transported quickly within the state, as well as across the nation. Finally, New Jersey is located on Amtrak's northeast corridor line, which offers a significant passenger transportation link between the state and the rest of the Washington/Boston corridor.

Quality of Life

New Jersey residents generally enjoy a high quality of life. New Jerseyans have access to a world-class healthcare system, both within the state and regionally. The state's public schools and institutions of higher education provide a high-quality education to the state's students and working adults. Eighty-two percent of the state's high school graduates continue their education after graduation, compared with 55% nationally.¹⁹ New Jersey's residents have access to a wide variety of cultural and recreational opportunities, including the Jersey Shore and the thriving regional arts and cultural centers. New Jerseyans also reap the benefits of living in a state that embraces the preservation of open space and farmland and the protection of its natural resources.

¹⁵ U.S. Census, *Census 2000*, http://factfinder.census.gov/home/saff/main.html?_lang=en.

¹⁶ The New Jersey metropolitan economy is defined as New Jersey plus New York City, its border counties, and eastern Pennsylvania, including Philadelphia and the surrounding counties. The degree attainment data are from U.S. Census, *Census 2000*, http://factfinder.census.gov/home/saff/main.html?_lang=en. The scientist and engineer data are from U.S. Department of Labor, Bureau of Labor Statistics, *Occupational Employment Statistics*, <http://www.bls.gov/oes/home.htm>.

¹⁷ <http://money.cnn.com/magazines/fortune/fortune500/>, accessed April 11, 2006.

¹⁸ U.S. Census, "Population Estimates," <http://www.census.gov/popest/estimates.php>.

¹⁹ New Jersey Department of Education, <http://www.state.nj.us/njded/data/fact.htm>; U.S. Department of Education

While New Jersey has many positive qualities to attract and retain residents and businesses, the lack of affordably priced housing for residents of all income levels threatens the quality of life in the state. A recent study by the Brookings Institution found that over 20% of New Jersey homeowners spend over 35% of their income on housing costs, which may force residents to relocate farther away from their jobs to find more affordably priced housing.²⁰ Such patterns increase congestion and have discouraged businesses from locating in New Jersey. The state must set policies to promote mixed-income housing development in close proximity to jobs.

Innovative Businesses

New Jersey's strong track record of innovation is unparalleled, particularly in communications and pharmaceutical research. New Jersey ranks near the top of the nation in research and development expenditures, both as a percentage of the state's Gross State Product (GSP) and in terms of the state's share of all national research and development spending. As shown in Table 2, research and development account for 3.4% of the state's GSP, ranking the state 11th in the nation.²¹ The state is home to 5.1% of the total research and development investments in the nation.²² These research investments continue to produce important breakthroughs and discoveries. In 2004, more than 3,300 new patents were filed in New Jersey, ranking the state 13th nationwide in the number of new patents per one million residents.²³

²⁰ Brookings Institution, Metropolitan Policy Program, *Prosperity at Risk: Toward a Competitive New Jersey*, May 2006.

²¹ The Gross State Product data are from U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Accounts, "Gross State Product," <http://www.bea.gov/bea/regional/gsp.htm>. The Research and Development data are from National Science Foundation, *Science Resources Statistics*, <http://www.nsf.gov/statistics/showpub.cfm?TopID=8>.

²² National Science Foundation, *Science Resources Statistics*, <http://www.nsf.gov/statistics/showpub.cfm?TopID=8>.

²³ CFED, *2006 Development Report Card for the States*, "Patents Issued," <http://www.cfed.org/focus.m?parentid=34&siteid=1581&id=1601&year=2006&measureid=2838>.

Table 2. New Jersey's Competitive Advantages

	New Jersey	New Jersey's Rank Among All States	United States (median state value)
SKILLED WORKFORCE			
College Attendance			
Ratio of Ninth Graders to College Freshmen, 1996-2000	52%	3 rd	38%
College Attainment			
Students Completing Bachelor's Degree within Six Years of Entrance, 1997-2002	60%	11 th	53%
Scientists and Engineers			
Ph.D. Scientists and Engineers per 1,000 workers, 2001	5.3	7 th	3.3
Science and Engineering Graduate Students, per million population, 2003	1,387	29 th	1,438
INNOVATION			
Research and Development			
Research and Development as Share of Gross State Product, 2002	3.4%	11 th	1.9%
Amount of Private Research and Development, dollars per worker, 2002	\$2,657	6 th	\$824
Federal Obligations for Research and Development, per capita, 2002	\$236	16 th	\$174
Research and Development Expenditures at Colleges and Universities, dollars per capita, 2003	\$87	42 nd	\$128
Patents			
New Patents per One Million Residents, 2004	386	13 th	241

Sources: College Attendance: National Center for Public Policy and Higher Education, *Measuring Up 2004*; College Attainment: National Center for Public Policy and Higher Education, *Measuring Up 2004*; Scientists and Engineers: CFED, *2006 Development Report Card for the States*; Research and Development: CFED, *2006 Development Report Card for the States*; Patents: CFED, *2006 Development Report Card for the State*

C. FOCUS OF THE ECONOMIC GROWTH STRATEGY

The overarching goal of the Economic Growth Strategy is to increase the number of well-paying jobs throughout the state by building on the state's strategic advantages and addressing the challenges facing the state's economy. To accomplish this, New Jersey will focus first on helping all of its current businesses grow and succeed. New Jersey will also focus on attracting new businesses in its fastest growing industries.

To ensure that state resources are targeted in the most effective manner, the state's economic growth efforts will further focus on industries and sectors that are likely to benefit from state assistance and create sustainable above-average-wage job growth for the state's residents.

Specifically, the strategy will focus on encouraging the growth of:

- **Small and medium-sized businesses, representing 96% of all businesses and 36% of all jobs.** The state's small and medium-sized businesses are most likely to benefit from state assistance as they work to remain profitable and grow.
- **Jobs that pay above-median salaries and provide health benefits.** The state's economic growth efforts should be focused on creating well-paying jobs for state residents.
- **Industry sectors that are currently concentrated in the state.** Industries that are already concentrated in the state are located here because they depend on the state's talented workers and our close proximity to many large markets. As a result, these sectors, which include financial services, information technology, life sciences, communications, logistics, agribusiness, and gaming/tourism, represent important opportunities for future economic growth.
- **Industry sectors that are expected to grow nationally and internationally over the next 10 years.** Growing sectors are most likely to provide sustainable job growth for New Jersey.

While this strategy targets selected industries, the strategy will support all of the state's industry sectors, all of which are fundamental to a diverse, successful economy now and in the future.

D. PRIORITIES FOR ACHIEVING ECONOMIC GROWTH

To achieve the state's economic growth goals, New Jersey will embrace six strategic priorities. These priorities build on the state's strategic advantages, including its skilled workforce, location, quality of life, and tradition of innovation. The priorities also address New Jersey's economic challenges by positioning state government as a partner and investor in the growth of businesses. Additionally, the priorities are designed to ensure that economic growth benefits all cities and regions of the state and creates new economic opportunities for all New Jersey citizens.

These six priorities will be implemented based on the following principles:

- **Leadership from the governor.** Under the direction of the governor, the Office of Economic Growth will be responsible for ensuring that all state departments, authorities, and commissions work together to support economic growth.
- **Partnership and collaboration between all levels of government, the legislature, and business, labor, and community leaders.** Under the leadership of the Office of Economic Growth, the state will work with all levels of government, the legislature, and the state's business, labor, and community leaders to achieve economic growth.
- **Focus resources to achieve the strongest results.** The state's existing resources will be allocated to economic growth efforts to support the most efficient and effective growth strategies.
- **Public reporting of goals and progress.** The Governor's Office of Economic Growth will establish measurable indicators of progress to ensure that the state's economic growth efforts are open and accountable. The goals of the Economic Growth Strategy and the state's progress in meeting these goals will be shared with the public on an annual basis.

This Economic Growth Strategy outlines the action steps the state will take to implement the six strategic priorities.

PRIORITY # 1: MARKET THE STATE OF NEW JERSEY FOR ECONOMIC GROWTH

Under the leadership of the governor and the cabinet, New Jersey is prepared to aggressively pursue business and job growth in the state. In today's global economy, New Jersey's businesses compete with other enterprises around the nation and the world. In addition, businesses are mobile and search for locations and talent that give them the best chance to be competitive and successful. New Jersey must actively and effectively build a favorable business climate that will help the state's existing businesses remain and grow in the state and attract new companies and well-paying jobs. In particular, the state must address the impact of the tax structure, including individual income taxes, on corporate investment decisions. The state must consider the impact that tax and other public policies will have on the business climate, capital investments, and ultimately job growth.

The state will proactively seek business and job creation in the state. To do this, state departments and authorities will become customer service-driven entities. All departments, authorities, and commissions will work together, under the governor's direction, toward a common vision for economic growth.

Action Steps

1. Create a Comprehensive Account Management Team to Retain and Attract Businesses

The state will proactively seek new business investment from the state's current businesses and from businesses located throughout the country and the world. The state will create a single account management team to provide outreach and support to businesses seeking to expand within or relocate to New Jersey. The account management team will ensure that the resources of all state departments and authorities, the state's higher educational institutions, and local and regional jurisdictions are aligned to ensure that businesses receive the personalized assistance they need.

This single account management team will be responsible for proactively deploying the resources of the state to reach out to business and to partner with communities to promote economic growth throughout the state. The team will be organized around the state's industries and around geographic opportunities in the state. The team will also combine all of the support, sales, and marketing resources currently available in various state departments and authorities.

2. Market New Jersey's Strategic Advantages to Businesses

Led by the Office of Economic Growth, the state's departments and authorities involved in economic development will produce marketing materials to promote the state's strategic advantages. New Jersey has many strategic advantages but needs to be more effective at communicating these to businesses. The materials will be targeted to specific industries and will focus on specific regions of the state.

In addition, business leaders and business and trade organizations in New Jersey can play a larger role in promoting the state. The Office of Economic Growth will work with members of the Economic Growth Council and other business organizations to identify expanded roles for business leaders in the state's marketing efforts.

3. Establish an Economic Growth Council

To ensure that state government is responsive to the needs of its workers, businesses, and communities, the state will create an Economic Growth Council. Composed of the state's business and labor leaders, this Council will advise the governor on policies and conditions affecting New Jersey's economy, including the needs of communities to attract and retain well-paying jobs.

4. Establish, within State Government, an Action Council on the Economy

The Office of Economic Growth has established the Action Council on the Economy (ACE), composed of representatives of the state's departments, commissions, and authorities involved in economic growth. (A list of the members of the Council is included in Appendix A.) The Council will proactively respond to economic development opportunities and will ensure that the state's processes to support business growth are predictable, timely, and efficient. ACE will also be charged with implementing initiatives that make government more easily navigable by businesses.

5. Improve Access to State Assistance for Businesses

Every interaction a business has with the state should be simple, clear, and timely. To meet this goal, the state will take the following steps to make it as simple as possible for businesses to obtain information and assistance from the state.

- Create a single web portal for businesses.

The State of New Jersey has developed a web portal that provides a single, streamlined point of access for businesses that need information or assistance from the state. Businesses can visit www.nj.gov/njbusiness to obtain information on all state programs and services and to explore information on the state and workforce.

- Establish a statewide call center to provide services and assistance to businesses.

To complement this web portal, the state has also created a single call center to provide direct assistance and services to businesses. This call center, which can be reached at 866-534-7789 or on the web at www.nj.gov/njbusiness/home/whynj/contact.shtml, will allow businesses to interact with professionally trained staff that can advise and assist them.

The state's current business support systems, including its call centers, have been incorporated into this new single point of contact.

- Create a comprehensive tracking system for economic growth projects in the state.

To assist state departments in serving businesses in a coordinated manner, the state will create a comprehensive computer tracking system for economic growth projects. This tracking system, accessible by all authorities and departments, will provide a single view of the project status including required actions, key due dates, and responsibilities. This system will not supercede any regulatory standards established by departments and authorities.

6. Ensure the state's portfolio of business incentives effectively enable job retention and growth

The state's strategic advantages should be complemented with the most effective portfolio of financial incentives to businesses to encourage them to remain in or move to New Jersey. To optimize the use of state resources while attracting and retaining well-paying jobs, the Office of Economic Growth, in collaboration with relevant state departments, will conduct a competitive assessment of the effectiveness of the state's current business incentive programs. Working with the legislature, the Office of Economic Growth will offer recommendations to reposition the existing portfolio of business incentives and to make any necessary changes to existing programs.

7. Partner with Regional Tourism Organizations and Expand the New Jersey Tourism Brand

The State of New Jersey currently spends approximately \$8 million annually on tourism advertising and public relations. New Jersey will continue a statewide marketing effort to promote its destination assets. This marketing effort will include promoting Atlantic City, the state's preeminent tourist destination with its array of gaming, entertainment, shopping, dining, and sporting activities, and the state's other unique and exciting tourist attractions.

Another key focus of the expanded tourism efforts will include plans to support and promote eco-tourism, including the Jersey Shore, the Highlands, the Pinelands, and the Delaware River and Bay. Expanded tourism efforts will also encompass important historic sites relevant to New Jersey's position as the crossroads of the American Revolution.

To further promote the state's specific destination assets, New Jersey will conduct an assessment of the state's existing programs and efforts, and recommend a new plan for increasing tourism and destination travel to New Jersey. This effort will also incorporate a destination marketing organization program and establish best practices for use by regional tourism entities. To ensure that these efforts are effective, the state will set evaluation criteria for the return on investment of state expenditures in tourism marketing.

PRIORITY # 2: DEVELOP A WORLD-CLASS WORKFORCE

Businesses in New Jersey agree that the quality of job applicants and the quality of their current workers are important to the vitality of their organizations.²⁴ While many businesses provide training to enhance the skills of their employees, state government also has a critical role in improving education and workforce development. To remain competitive in the global economy, New Jersey businesses and state government must work together to develop and maintain an even more highly educated and skilled workforce. In order to accomplish this goal, New Jersey state government must work closely with education, business, and community leaders to enhance both our elementary and secondary education system and to develop a world-class higher education system.

New Jersey has initiated a series of reforms to ensure that all students, particularly those in under-performing schools, learn and succeed. The state is building a stronger education system by investing in school construction to provide a safe and modernized environment for its students to learn and by endorsing the American Diploma Project benchmarks. These benchmarks will outline the content and skills in math and English that students must master in order to be successful in postsecondary education or in high-growth jobs. While New Jersey has the highest graduation rate of any state (84.5%),²⁵ this rate includes students who graduate through an alternate path called the Special Review Assessment (SRA). Many of these students often require remedial education and training following high school. The Department of Education is working to reform the SRA, as well as to ensure that all high schools across the state offer more rigorous curricula that will prepare students for 21st century jobs.

Currently, New Jersey ranks third in the nation in the percentage of ninth graders who attend college after high school (52%).²⁶ Sixty percent of these students complete a bachelor's degree within six years, ranking the state 11th in the nation.²⁷ The state ranks fifth in the nation in college attainment, with 35% of heads of households having completed at least four years of college.²⁸ New Jersey ranks seventh in the nation in the number of Ph.D. scientists and engineers per 1,000 workers.²⁹ The state's colleges and universities, however, do not prepare large numbers of future scientists and engineers. In fact, New Jersey ranks 29th in the nation in the number of per capita science and engineering graduate students studying in state colleges and universities.³⁰

New Jersey's talented workforce has been a principal reason for the state's economic success. However, the state must build on current efforts to invest in and reform its K-12 and higher education systems to ensure future economic growth.

²⁴ John J. Heldrich Center for Workforce Development, "New Jersey Employer Survey," October 2005.

²⁵ Editorial Projects in Education Research Center, http://www.edweek.org/media/ew/dc/2006/nj_SGB06.pdf

²⁶ Ibid.

²⁷ Ibid.

²⁸ CFED, *2006 Development Report Card for the States*, "College Attainment," <http://www.cfed.org/focus.m?parentid=34&siteid=1581&id=1601&year=2006&measureid=2815>.

²⁹ CFED, *2006 Development Report Card for the States*, "Ph.D. Scientists and Engineers," <http://www.cfed.org/focus.m?parentid=34&siteid=1581&id=1601&year=2006&measureid=2830>.

³⁰ CFED, *2006 Development Report Card for the States*, "Graduate Students in Science and Engineering," <http://www.cfed.org/focus.m?parentid=34&siteid=1581&id=1601&year=2006&measureid=2831>.

Action Steps

1. Strengthen Math and Science Skills

To sustain innovation and remain economically competitive, the New Jersey workforce needs to have strong math and science skills. The state will take appropriate steps to strengthen the math and science skills of all students and to increase the number of math and science graduates from colleges and universities. In addition, the state will create initiatives to increase the number of certified math and science teachers at the high school level.

Specifically, the Department of Education will establish a state-level council to guide math and science education in the state's K-12 system. The council, which will include teachers, administrators, and representatives from higher education and the business community, will provide specific recommendations and strategies to improve math and science teaching and learning based on New Jersey's Core Curriculum Content Standards. The council will also review the math and science frameworks, the content matrices, and the Department's online professional development support system to ensure that educators have access to information that allows them to assist students in mastering the core standards in math and science. The council will provide recommendations on how to improve the depth of understanding of math and science content by teachers and to improve teaching practice through professional development opportunities.

The council will also establish specific, measurable goals for K-12 math and science education so that students, parents, teachers, business leaders, and policymakers can measure the state's progress. This strategy will emphasize the mastery of basic-subject skills and the development of problem-solving skills and higher-order thinking skills.

The Commission on Higher Education will also work closely with the state's colleges and universities to ensure that math and science programs prepare students with the skills needed by the state's key industries, to develop and strengthen links between the K-12 education system and the higher education math and science communities, and to increase the hands-on, industry-based research opportunities available to students.

Finally, the Department of Education, in collaboration with the Commission on Higher Education, will develop and implement a strategy to increase the number of certified math and science teachers in the state's middle and high schools. Such a strategy will include additional recruitment efforts and modifications to higher education curricula to attract more students to the profession, and to attract mid-career math, science, and technology professionals into teaching. In addition, the Department and Commission will collaborate with the state's colleges and universities to strengthen pre-service math and science teacher preparation programs.

2. Develop a World-Class Higher Education System

The state's knowledge-driven economy demands a high-quality higher education system. While New Jersey has a very good public and private university system, we can no longer be satisfied unless the state becomes a national leader in scientific and technological innovation at our public universities. Even in the face of current economic conditions and budgetary constraints, we must commit to the path of building a world-class, comprehensive research university system that leads the nation in cutting-edge research and education. Such an institution will play a catalytic role in creating wealth and jobs for our state's citizens.

State government must partner with our key growth industries to make strategic investments in colleges and universities. In order for the state's universities and colleges to compete for the finest faculty and federal funding, they require state-of-the-art equipment, buildings, libraries and distance-learning capacity. Our success in strengthening the higher education institutions will, in turn, convince more of our best and brightest high school graduates to attend colleges and universities in New Jersey and to settle here and contribute to our state's economic prosperity.

3. Ensure that Education and Training Investments Meet the Workforce Needs of New Jersey Businesses and Nonprofit Organizations

The workforce needs and challenges faced by businesses and nonprofit organizations in key industries are unique and constantly evolving due to new technologies, competition, and business practices. In order to ensure that key industries have a supply of skilled workers, the state must focus its training and education investments on preparing its residents for job opportunities.

- Align education and training strategies with employer needs in key industries.

To guide this effort, the state will create Industry Workforce Advisory Groups for key industries. These groups, which will include business leaders, union representatives, and other stakeholders, will meet as needed to provide substantive input and suggestions to the state's workforce and education leaders. The Department of Labor and Workforce Development, in partnership with the State Employment and Training Commission and the Commission on Higher Education, will convene these groups.

- Develop an education and training strategy for key industries based on an understanding of future workforce and skill needs.

To further guide the state's education and training investments, New Jersey will develop an education and training strategy for key industries. This strategy will be grounded in an understanding of the unique and specific workforce needs of key industries developed through the state's Ready for the Job initiative.

The Department of Labor and Workforce Development and the State Employment and Training Commission will continue the Ready for the Job initiative to profile the skill and workforce needs of key industries in the state and to develop business/education partnerships to meet identified needs. This effort will focus on key industries identified by the Office of Economic Growth.

The Ready for the Job initiative, supported by the Industry Workforce Advisory Groups, will determine the current and future workforce needs of the state's industries, identify the skills needed by industries, identify regional concentrations of workforce needs, identify workforce challenges faced by industries, and highlight steps that can be taken by educational institutions to meet each industry's specific workforce needs.

The education and training strategies for each industry will be updated regularly and will guide the state's workforce and education investments.

4. Establish High-Skills Partnership Institutes

To further ensure that the state's educational institutions adequately prepare workers with the skills needed by businesses, the state will establish High-Skills Partnership Institutes for key industry sectors. These institutes, located at two- and four-year postsecondary institutions, vocational-technical schools, and other training providers, will be charged with helping the state's residents to acquire the skills needed by the state's key industries.

The Commission on Higher Education, the Department of Education, and the Department of Labor and Workforce Development will select educational institutions to lead each institute through a competitive process. The institutes will be tasked with developing and implementing curricula tied to each industry's specific workforce needs. Each designated institute will be required to share curricula with other state educational institutions, including two- and four-year colleges and universities, vocational-technical schools, and other training providers to ensure that training is provided where it is needed.

5. Create High-Growth Workforce Investment Grants to Assist Businesses to Upgrade the Skills of their Employees

To remain competitive, the state's businesses must continually invest in the skills of their employees. To assist these efforts, the state will deploy funds from the existing Customized Training Program to invest in the skills of workers in the state's key industries. The Department of Labor and Workforce Development will competitively distribute grants to individual companies, labor unions, and groups of companies with similar training needs. Companies or groups of companies will be expected to match at least 50% of the grant amount with their own financial resources.

While a majority of these funds will be focused on the training needs of the state's key industries, a portion of the funds in the Customized Training Program will continue to be used to flexibly respond to the training needs of businesses in other industries.

6. Expand Training Opportunities for Workers

With constant development of new technologies and changes in the economy, New Jersey's workers must continually upgrade their skills. The Commission on Higher Education, the Department of Education, and the Department of Labor and Workforce Development will work with the state's colleges, universities, and vocational-technical schools to expand education and training opportunities for the state's employed residents. The Commission on Higher Education, the Department of Education, and the Department of Labor and Workforce Development will also work with the state's colleges and universities to make adult education and continuing education programs more accessible to the state's residents by expanding distance-learning opportunities or by modifying course schedules to allow for weekend and evening classes.

PRIORITY # 3: SUPPORT SMART, SUSTAINABLE GROWTH AND INFRASTRUCTURE INVESTMENTS

New Jersey must continue to take steps to ensure that all of its communities, particularly those that already have substantial transportation, energy, and communications infrastructure, share in the state's economic growth. Such growth will be "smart" when it allows for the protection of the state's environment, recognizes the capacity limitations of the state's natural resources, and builds upon the past substantial infrastructure investment. This growth is crucial because it provides important job opportunities to residents throughout the state while addressing needs for sustainability and improving quality of life.

A key element of this strategy will be to encourage economic growth in the state's cities and densely populated areas that have not fully shared in the state's historical economic growth, and in areas of the state experiencing a potential major loss of economic activity, such as the Fort Monmouth area. The Economic Growth Strategy will be consistent with the State Development and Redevelopment Plan ("State Plan").

Additionally, the state's well-developed infrastructure makes economic growth possible. Continued and sustained investment in our roads, bridges, airports, ports, and railroads that move people and goods within the state and that connect the state to the nation and world is paramount. It is also essential to build upon and upgrade the existing infrastructure as well as continue investment in our power lines, natural gas lines, other energy infrastructure, and communications systems.

To remain competitive, the state needs to upgrade its infrastructure with strategic investments designed to encourage economic growth and improve the quality of life of the state's residents. This must include providing job opportunities where people live and providing access to jobs through investments in transportation. New Jersey's expanded funding of the Transportation Trust Fund is a critical step to improving the state's transportation infrastructure.

Action Steps

1. Ensure the State Development and Redevelopment Plan Accurately Reflects the State's Resource Constraints, and Align Development Efforts with the Plan

- Align capital investments with economic and environmental goals.

The state will commit to ensuring that the State Development and Redevelopment Plan ("State Plan") is revised to accurately reflect environmental, infrastructure, and other planning realities. This includes creating a more strategic State Plan that addresses areas that are important to development, particularly inner-ring suburbs. Once done, the state will align development efforts with the State Plan and capacity-based planning. With limited resources, it is more essential than ever that new development utilize the state's existing water, sewer, energy, and road infrastructure. This process must also include innovative solutions to address natural resource limitations. The Infrastructure Needs Assessment process, as outlined in the State Plan, will help address these limitations. Through the upcoming Infrastructure Needs Analysis, the State Plan will incorporate a comprehensive review of state infrastructure planning. In addition, it is essential that the state's new major infrastructure investments and capital projects target the state's greatest needs in order to realize the greatest economic growth potential. The Office of Economic Growth will collaborate with the state's relevant departments and authorities to develop an overall capital investment plan. The plan will ensure that major

capital and infrastructure projects reflect economic development goals consistent with the State Plan. The use of the State Plan process to identify capital needs will support integrated planning for future investments in infrastructure.

- Establish a “Ready for Growth” initiative.

In New Jersey, redevelopment projects can be hindered by high costs, aging infrastructure, and a lack of sufficiently sized parcels. The state will partner with local communities to establish a “Ready for Growth” initiative to encourage the redevelopment of selected idle sites.

Municipalities and local redevelopment authorities will identify idle sites that are appropriate for redevelopment and will apply to the state for designation of these sites as “Ready for Growth” sites. The state will select sites most appropriate for redevelopment based on the goals of the Economic Growth Strategy and the needs of key industries in the state. The state will identify all environmental and historical constraints and water capacity limitations in the early stages of consideration. In addition, the state departments and authorities will provide a simple “score card” of regulatory hurdles and timeframes, so that developers and land owners understand any potential challenges relative to the site and have an opportunity to make changes early in the process.

Following site designation, the state will partner with communities to analyze steps to prepare a site for redevelopment and coordinate state efforts to support necessary infrastructure improvements. The state will provide financial and technical assistance for feasibility, environmental and planning studies, remediation, and geo-technical work. The state will also collaborate with local public officials, chambers of commerce, and local economic development corporations to promote the sites to businesses.

- Create an online searchable database of available commercial property for development.

To assist businesses in finding commercial sites for development, New Jersey will create a site selection system, which will be implemented as part of the state’s new web portal for businesses. A key feature of the site will be a user-friendly, information-rich database of available commercial property. The database will build on the state’s Site Selection Service, and will include detailed site-building information, maps and aerial photos of sites, demographic and labor market data for the surrounding area, and information on major businesses in the area. The site will combine all of the state’s Geographic Information Systems, site location data, and ultimately sewer and water capacity information in a single web portal to allow for easy access.

2. Support the Revitalization of the State's Cities

- Create the New Jersey Urban Fund.

The state will stimulate investment in its urban communities by providing businesses and community development organizations with the financial and technical tools they need to grow and revitalize neighborhoods. The New Jersey Urban Fund (NJUF) will offer an array of resources designed to bring about economic growth through business creation and expansion and the physical improvement of New Jersey's distressed urban areas. NJUF will be launched in the fall of 2006 with a \$185 million commitment by the Economic Development Authority to be leveraged with investment from private sources over the next year, including financial institutions, insurance companies, philanthropic foundations, and socially responsible

investors to support \$555 million in total investment in New Jersey. The Economic Development Authority will implement and administer the New Jersey Urban Fund. The operations of the Fund will leverage the experience of the New Jersey Redevelopment Authority and those state entities administering urban programs.

NJUF addresses the need to attract and leverage capital in underserved urban areas, create wealth in these communities, and improve financial and banking services. NJUF will deploy money directly into projects in the form of debt and equity, and indirectly through not-for-profit and for-profit intermediaries. The strategies will be complemented by implementation of the action steps outlined in Priority #5 that seek to encourage entrepreneurship and the growth of small, minority-owned, and women-owned businesses. In addition, NJUF will encourage brownfield redevelopment by coordinating financial and technical pre-development assistance consistent with the state's integrated brownfield strategy as summarized in this document.

The initiative will target businesses and nonprofits in distressed urban areas of New Jersey. NJUF will address capital needs from micro-businesses to small and mid-sized firms to real estate development. The new resources will be focused in the following areas:

- **Micro-businesses (under 25 employees):** The state, through NJUF, will make direct investments in intermediaries, such as micro-lenders and Community Development Financial Institutions, to increase their lending capacity and services to small, minority-owned, and women-owned businesses in distressed areas. Enhancing the capacity of the intermediaries' financial investment in their own communities will result in more grassroots-based community development. Investments will also be made in social venture capital funds to provide equity funding for higher-risk, emerging businesses that should be encouraged to grow in communities and provide jobs to residents. NJUF will leverage its investments in these entities with funding from financial institutions and foundations.
- **Small and mid-sized businesses (25-300 employees):** Through NJUF, the state will work with the private banking community to leverage and expand the support of small- to mid-size business growth and job creation. This leveraging will be deployed through more traditional financial products such as loans, guarantees, and bonds that are tailored to meet the needs of businesses in urban markets.
- **Community development:** NJUF will invest in-and encourage its financial partners to co-invest in-nonprofit community development corporations to advance commercial real estate development activities that are integral to neighborhood revitalization strategies and achieve the overall goals of the NJUF strategy to develop sustainable local economies by growing businesses, providing job opportunities for residents, and returning brownfields and vacant sites to active use. In addition, NJUF will invest in Real Estate Investment Trusts that focus on urban investments.

■ Encourage brownfields redevelopment.

Scores of once-thriving industrial and commercial facilities, commonly known as brownfields, now sit idle or abandoned, draining surrounding neighborhoods of vitality. Fearful of costly cleanup, owners often choose not to investigate or sell their properties, and as a result they sit idle for years. In order to encourage the redevelopment of the state's urban centers and other highly developed communities, the state must coordinate its policies and resources to foster the redevelopment of brownfields. This redevelopment must include both industrial and mixed-use development.

Brownfield properties provide unique opportunities for the state's economy. Usually located where key infrastructure elements are already in place, with access to water, sewer, and utility lines, and proximity to roads, highways, and public transportation, the redevelopment of these properties helps to attract private reinvestment in urban centers, stimulating additional redevelopment, housing, and jobs.

Encouraging the redevelopment of these properties requires dealing with a number of obstacles, including liability risk, regulatory uncertainty, difficulty finding financing, and the need for informed community involvement in planning.

The state's approach to dealing with these obstacles has become fragmented, with many departments and authorities tasked with similar functions and missions. To eliminate duplication and to maximize the opportunities to put these properties to productive use, the Office of Economic Growth will lead the creation of a state strategy on brownfield redevelopment. The state's resources and efforts will be evaluated and prioritized by the Office of Economic Growth, with steps to improve outcomes for the redevelopment, the environment, and the state's cities. The Department of Environmental Protection and the U.S. Environmental Protection Agency will remain responsible for setting the policy and regulations for cleanup standards.

3. Invest in the Infrastructure Needed for Economic Growth

New Jersey has a well-developed transportation, communications, housing, and energy infrastructure that is critical to the state's economic growth. However, continued capital investment is required to ensure adequate infrastructure exists to support the existing and expanding businesses. The state will make strategic investments in its infrastructure to connect businesses and residents to the global economy, to ensure that residents have access to affordably priced housing, and to ensure that residents and businesses have access to reliable, affordable energy.

- Increase investments in mass transit and freight transportation, including connections to New York City and Philadelphia.

New Jersey is committed to improving the state's existing transportation capacity, encouraging the greater use of mass transit, and making improvements to its existing road and highway infrastructure. The Office of Economic Growth and the Department of Treasury will jointly lead the integrated planning for capital investments across the state authorities to support well-planned economic growth.

One of the state's critical advantages is its location within the New York City and Philadelphia metropolitan areas. To support the growth of New Jersey and the region as a whole, the state will continue to work with New Jersey Transit, Amtrak, the Port Authority of New York and New Jersey, the Delaware River Port Authority, the New Jersey Turnpike Authority, the South Jersey Transportation Authority, and other providers of transportation services to ensure that there are adequate transportation connections within the state and between New Jersey, New York, and Philadelphia. Some of the major transportation improvements include the Access to Region's Core (ARC) and upgrades to the Port Authority Transit Corporation (PATCO) system.

- Expand broadband access.

The state's communications networks are a critical infrastructure. In particular, the state's well-developed broadband infrastructure enables residents and businesses to affordably access the Internet and dramatically

reduces the time it takes to access information, eliminating distance as an obstacle to conducting business. While New Jersey ranks third in the nation in broadband accessibility,³¹ the state will take additional steps to ensure that residents and businesses have access to the state's high-speed, broadband networks.

The state will encourage investment in broadband infrastructure by clarifying and stabilizing the regulation of companies that provide broadband access. In particular, the state will ensure that regulations and policies support the development of a variety of platforms and services that are capable of carrying and delivering high-bandwidth intensive content.

- Increase mixed-income housing development throughout the state.

New Jersey's economic vitality is closely linked to the availability of mixed-income housing. Unless the state encourages a process that recognizes and addresses that link, we stand to lose a significant portion of the skilled workforce on which our economy depends. New Jersey's housing affordability index is 20 points below the national average, and more than 20% of New Jersey's homeowners spend more than 35% of their income on housing costs.³² In addition, rising housing costs; persistent race, class, and place disparities; and unbalanced development all threaten the state's long-term economic prosperity. In order to retain our competitive edge, the state must ensure that its cities offer access to a range of housing opportunities.

To address these challenges, the state, led by the Department of Community Affairs and the Housing and Mortgage Finance Authority, will develop a comprehensive state housing policy that will foster mixed-income housing development; provide housing that is in close proximity to jobs and high job growth areas; coordinate housing development with a multi-modal transportation system, especially public transportation, to minimize the growth of traffic congestion, energy costs and air quality impacts; encourage livable communities that are “walkable” and that contain a mix of uses; and encourage development near existing infrastructure resources.

The state recently issued a State Housing Policy and Status Report.³³ The primary goal of the state's housing policy is to produce and preserve 100,000 units of housing over ten years that New Jersey residents can afford. The state recognizes that this and the other housing plan goals can only be accomplished with the participation and support of local communities. As a result, the state, through its housing policy, will build a partnership with local government that will include targeted technical support for planning, education on desirable design options, financial incentives and infrastructure support, and community outreach to engage residents in the planning process.

- Create a long-term strategy for reliable, competitively priced energy.

Economic growth in New Jersey is dependent on the availability of a secure, reliable, and affordable energy supply. Rising fuel prices, the increasing threat of global warming, and other vivid reminders of America's fossil fuel dependence highlight the importance of formulating a sound long-term energy strategy. The state must address its electricity generation needs, as well as energy efficiency, conservation, and development of renewable energy sources. The strategy supports the governor's bold goal of meeting 20% of New Jersey's

³¹ Progressive Policy Institute.

³² Brookings Institution, Metropolitan Policy Program, *Prosperity at Risk: Toward a Competitive New Jersey*, May 2006.

³³ The Department of Community Affairs, www.nj.gov/dca/housingpolicy06.doc, August 2006.

energy needs through energy efficiency improvements and conservation gains by 2020. This will require a holistic view of New Jersey's energy consumption, including consideration of transportation corridors and mass transit. The strategy also supports New Jersey's regulatory commitment of producing 20% of the state's electricity from renewable resources by 2020.

To meet these goals, the state will create an Energy Master Plan. The Office of Economic Growth will support the efforts of the Board of Public Utilities which, in consultation with the commissioners from all relevant state departments and authorities, will lead the preparation of this Energy Master Plan. This plan will be comprehensive and specific, and will outline broad goals, establish measurable objectives, and specify actions to be implemented that will ensure that the state's residents and businesses have access to reliable, competitively priced energy. It will address all aspects of New Jersey's energy economy, from electricity generation to energy efficiency and renewable energy resources. In order to chart the progress of the plan's implementation, the Energy Master Plan will also provide a clear understanding of New Jersey's energy baseline as well as provide benchmarks for progress.

New Jersey will take several far-reaching steps to develop such a policy. First, the state will address the growing gap between its in-state generation capacity and demand. This gap has led New Jersey to import 25% of its electricity,³⁴ produced in other states mainly at conventional power plants. The state will prioritize energy efficiency and renewable energy to reduce the discrepancy between supply and demand for electricity in New Jersey. In addition, the state will proactively pursue consideration of supply alternatives that are designed to meet projected demand in the most economically and environmentally beneficial way for the state.

Second, the state will prioritize active and immediate energy efficiency and conservation efforts throughout all energy sectors, from electricity and heating to transportation. This will require upgrading energy building codes (green building) for residential and commercial construction as well as setting efficiency standards for a wide range of household and commercial products. As part of this effort, the governor will appoint a Director of Energy Savings to manage state government energy use.

Third, the state will aggressively encourage the expansion and creation of renewable energy solutions across all energy sectors. New Jersey leads the nation in investing in innovative renewable energy resources. Many opportunities remain to attract and grow renewable energy businesses and make New Jersey a thriving center of this industry. The state will establish an aggressive incentive system to develop the renewable energy supply in innovative ways and will work to create a strong, stable capital market for renewable energy resources to signal to investors the importance of this industry to New Jersey.

³⁴ EIA, State Energy Data 2001; Mid-Atlantic Data Abstract, 2001.

PRIORITY # 4: SUPPORT AND ENCOURAGE INNOVATION

New Jersey has an impressive history of innovation. However, with many other states and countries aggressively pursuing strategies to attract and develop high-tech industries in their own regions, New Jersey must continue to invest in innovation if it seeks to maintain a high-performing economy that will create quality jobs for its citizens.

While New Jersey's innovation economy is strong, it faces new challenges. While New Jersey ranks 6th in private research and development funding per worker, the state ranks 16th in federal funding for state research and development efforts. Of greater concern, the state ranks 42nd in the amount of research and development funding at colleges and universities. Only \$87 per person is spent on academic research and development efforts in New Jersey. In contrast, academic research and development expenditures in Maryland total \$369 per capita and \$283 per person in Massachusetts. Despite its relatively modest investment, New Jersey does reasonably well in the creation of businesses via academic research and development spending. The state ranks 16th in the number of firms originating from colleges and universities set against the funding these institutions receive.³⁵

This record is no longer acceptable. New Jersey will not be able to successfully compete in the global, high-tech economy if it does not develop and support a world-class, top-tier, comprehensive research university. The state's economic future depends on our ability to achieve this central goal within the next decade. We must begin to address this important priority now.

Unless strong action is taken, New Jersey's historic and enviable position as a state technology leader could be at risk. To support and encourage innovation, the state must invest in technology-led economic development initiatives, centered on the state's high-tech industries, colleges and universities, and private research and development firms.

Action Step

1. Create the Edison Innovation Fund

The state will establish the Edison Innovation Fund to help create, sustain, and grow high-tech businesses that will lead to high-paying job opportunities for New Jersey residents. Specifically, the Edison Innovation Fund will build the capacity of the state's research colleges and universities in strategic areas that complement economic development, build the entrepreneurial environment of the state, increase access to early stage capital, and provide specialized assistance to science and technology businesses.

The Fund will be an integrated set of resources to support technology and life science initiatives throughout the stages of discovery, development, and commercialization. The Fund will be launched and led by the Economic Development Authority, with \$150 million committed by the Economic Development Authority in partnership with the Commission on Science and Technology. The Fund will leverage \$350 million in private capital. Resources from the Fund will support research and development in the growth and core industries vital to the state economy. Specifically, resources from the Fund will support research in life sciences and nanotechnology and continued funding for stem cell research and innovation, renewable energy, and communications technologies. The Fund will also be used to leverage research grants from the federal government.

³⁵ CFED, 2006 Development Report Card for the States, "Academic Research and Development," "Federal Research and Development," "Private Research and Development," <http://www.cfed.org/focus.m?parentid=34&siteid=1581&id=1584>.

The Economic Development Authority, in consultation with Commission on Higher Education and the Commission on Science and Technology, will manage the resources of the Fund. The Commission on Science and Technology will be primarily responsible for providing guidance to the Economic Development Authority on key technology sector investments.

The specific technology-led economic development initiatives deriving support from the Edison Innovation Fund investments will support basic and applied research and development at the state's research colleges and universities. In order to build the ideas that support technology-based economic growth, the Edison Innovation Fund will invest in the creation of Centers of Excellence in the state's colleges and universities in areas important to New Jersey's economic growth. An Eminent Scholars Endowment Fund will also be created to recruit world-class researchers to run these centers.

In addition, the Edison Innovation Fund will:

- Provide support to colleges, universities, and companies to help them develop the commercial potential of research.

Enhanced technology transfer initiatives can improve the commercial potential of research supported by New Jersey's colleges and universities. Resources will be provided to colleges, universities, and entrepreneurial technology companies to support staffing and development needs to bring applied research to the next stage in the commercial development process.

- Accelerate the commercialization of technology.

To increase access to capital for New Jersey-based technology companies at early stages of research and development, the state will implement a comprehensive Venture Capital Fund Investment Strategy. These programs will focus on supporting the commercialization of research, including commercialization gap funding and seed funding for a college/university venture and commercialization fund.

- Strengthen university collaboration.

The initiative will bolster collaboration with state research universities by creating Centers of Excellence in areas important to New Jersey's economic growth; growing the Eminent Scholars program to lead research efforts at the centers and attract federal funds; increasing technology transfer efforts through comprehensive efforts aimed at technology transfer offices in the universities; and providing early commercialization support to research and development through an Entrepreneurial Partnering Fund. Particular focus will be paid to basic and applied research in energy, life sciences, stem cell, nanotechnology, and communications.

PRIORITY # 5: ENCOURAGE ENTREPRENEURSHIP AND GROWTH OF SMALL, MINORITY-OWNED, AND WOMEN-OWNED BUSINESSES

Small business creation and growth is extremely important to the state's economy. More than 96% of the businesses in New Jersey have fewer than 100 employees and account for over 36% of the jobs in the state. New Jersey also has a strong tradition of entrepreneurship. In fact, the national nonprofit Center for Economic Development ranked New Jersey first in the nation for entrepreneurial energy in 2006 based on the number of new companies established and on the number of new jobs created by new companies.³⁶ From 2003 to 2004, the number of new business openings increased by more than 20%, the third highest growth rate in the nation. However, business creation is only the first step in promoting entrepreneurship; the state needs to offer support services and benefits to small businesses to help them grow and remain in the state.

Action Steps

1. Focus and Expand Support and Access to Capital for Small, Minority-Owned, and Women-Owned Businesses and Entrepreneurs

Access to capital has been, and remains, a critical issue for emerging and growing businesses, particularly those owned by women and minorities. As outlined earlier, the state's investment in urban areas includes the creation of the New Jersey Urban Fund to provide greater access to capital for small, minority-owned, and women-owned businesses.

- Ensure that state's existing business support services meet the needs of the small business market.

As mentioned previously, the state currently offers a wide variety of business support services to small businesses. These services are primarily targeted to business startups. However, the state needs to ensure that existing programs are effective and meet the diverse needs of the state's small businesses. The Office of Economic Growth will lead a collaborative effort to evaluate programs and to refocus resources as needed to ensure that the needs of both startup and existing businesses are met and that the outcomes of such efforts can be measured in terms of sustained business creation and growth.

- Create a single access point for small businesses to obtain information about business support services, financing, and doing business with the state.

The state will take steps to ensure small businesses find the services they need. The Office of Economic Growth will lead the development of a single web portal for small businesses and entrepreneurs that will combine all relevant information and services.

³⁶ CFED, 2006 Development Report Card for the States, "Entrepreneurial Energy Grades," <http://www.cfed.org/focus.m?parentid=34&siteid=1581&id=1601&year=2006&indexid=513>.

2. Use State Purchasing to Grow Small, Minority-Owned, and Women-Owned Businesses

Each year, the state spends over \$2 billion purchasing goods and services from businesses. These purchases can and should be used to support the state's small, minority-owned, and women-owned businesses. Minority and women-owned firms account for 20% and 28% of the small businesses in the state respectively.³⁷ However, only 3% of the firms receiving contracts from the state are owned by minorities or women. In addition, less than 2% of the total amount spent by the state goes to these businesses. While the state has programs to encourage further purchasing from these businesses, only 5,500 small, minority-owned, and women-owned businesses, a small percentage of these businesses, have registered with the state.³⁸ The state will take steps to increase the number of small, minority-owned, and women-owned firms that are awarded state contracts.

- Evaluate the state's current certification of small, minority-owned, and women-owned businesses and eliminate duplicative certification services.

Small, minority-owned, and women-owned businesses interested in participating in the purchasing programs of state government, federal government, and private companies must register with a number of separate entities. These separate processes place a large burden on small businesses. To address this, the state will review the current certification processes and work to consolidate the certification services. The state will also establish criteria for accepting state and nationally recognized certifications for small, minority-owned, and women-owned enterprises.

- Create a Division of Minority- and Women-Owned Business Development within the Office of Economic Growth to track and report minority-owned and women-owned business participation in the state procurement process, from issuance of Requests for Proposals (RFPs) to contract awards.

The significant disparity between the available minority- and women-owned businesses in the state and those actually awarded contracts underscores the need to implement a system for tracking, compliance, and reporting of dollars spent with minority- and women-owned business enterprises as well as a quantitative methodology for monitoring the participation of these businesses in the RFP process.

- Increase outreach efforts to small, minority-owned, and women-owned businesses to increase awareness and understanding of state procurement opportunities.

A key factor in increasing the percentage of small, minority-owned, and women-owned businesses that receive state contracts is to increase their understanding of the process for bidding on and acquiring government contracts. The state will provide guidance and training on the contract award process.

- Increase the number of contracting opportunities for small, minority-owned, and women-owned businesses by separating large single contract awards into smaller contracts.

Small, minority-owned, and women-owned businesses are often unable to compete for large, single contracts. The state will create additional opportunities for these businesses by dividing large contract opportunities into smaller components.

³⁷ U.S. Small Business Administration, State Economic Profiles, "Small Business Profile: New Jersey," <http://www.sba.gov/advo/research/profiles/>.

³⁸ Mason Tillman Associates, State of New Jersey: Construction Services Disparity Study 2000-2002, <http://www.state.nj.us/state/disparity/pdf/csdsfr.pdf>

3. Support Health Care Coverage for Small Business Employees

According to the National Federation of Independent Businesses, health care has been the top-ranked issue by small businesses since 1986, and the concern only continues to grow as the cost of health insurance increases.³⁹ Small businesses must often decide between providing employees with health care coverage and making other important investments in the company.

In order to ensure the availability of health care options for small businesses, the Department of Banking and Insurance will develop recommendations to reform the current health insurance system and its financing mechanism, including that of the Small Employer Health group. The Small Employer Health group includes businesses that employ 2-50 employees. Proposed reforms will be designed to benefit small, minority-owned, and women-owned businesses.

³⁹ NFIB, Issues in the News, *Rising Cost of Health Insurance is Top Priority for Small Business*, April 2006
http://www.nfib.com/object/IO_27804.html.

PRIORITY # 6: ENHANCE THE GLOBAL COMPETITIVENESS OF NEW JERSEY'S BUSINESSES

New Jersey's economic prosperity is linked to its ability to market services and goods in a global marketplace. The state is committed to enhancing its international competitiveness and attracting new foreign direct investment. New Jersey's \$430 billion Gross State Product ranks the Garden State as the world's 17th largest economy. As the nation's 12th largest exporting state, over \$21.1 billion of New Jersey products were exported to over 200 overseas markets in 2005.⁴⁰ Export-supported jobs accounted for an estimated 4.6 percent of New Jersey's total private-sector employment in 2005.⁴¹

In terms of foreign direct investment, New Jersey ranks 6th among all states and is home to over 1,400 foreign-based firms.⁴² In addition, over one-quarter million New Jersey jobs depend on the investments made by international companies in the state.⁴³ Although New Jersey is one of the leading exporters in the country, the state is not adequately represented in key markets for export promotion and the attraction of foreign direct investments. In order to strengthen foreign partnerships within key industries, the state will work with the Port Authority of New York and New Jersey, the Delaware River Port Authority, and the South Jersey Port Corporation.

New Jersey has several projects underway to enhance its global competitiveness, including the Liberty Corridor. Liberty Corridor, a project with regional and national significance, integrates transportation infrastructure improvements, research and development incentives, and freight movement strategies. By improving the movement of freight throughout the region, the Corridor will ensure that New Jersey remains at the forefront of international trade while at the same time easing congestions on our roads.

Action Steps

1. Enhance Trade Policy and Support While Promoting and Expanding Foreign Trade Zones

As markets for trade become more global, the state must partner with the private sector to proactively market the state and its assets. The state will adopt best practices in order to find and attract foreign partnerships with New Jersey-based businesses.

The state currently has five Foreign Trade Zones. Businesses that manufacture or assemble products in these zones are subject to lower duties and tariffs than those that locate in other parts of the state. New Jersey will take steps to encourage participation by businesses in this underutilized federal program. The state will also seek designation of additional Foreign Trade Zones in other areas of the state targeted for economic growth.

⁴⁰ U.S. Department of Commerce, International Trade Administration, http://ita.doc.gov/td/industry/otea/state/2005_year_end_dollar_value_05.pdf

⁴¹ U.S. Department of Commerce, International Trade Administration, http://www.ita.doc.gov/TD/Industry/OTEA/state_reports/n-jersey.html

⁴² U.S. Department of Commerce, Bureau of Economic Analysis.

⁴³ Ibid.

2. Promote and Increase Capital Investments in the State's Ports and Airports

New Jersey's ports and airports are critical to the state's economic growth. With major port facilities in Newark, Elizabeth, and on the Delaware River, New Jersey plays a large role in international trade. Port activity generates jobs and revenue for the state and many state businesses indirectly rely on the ports' operation and growth. The flow of traffic through the state's two major airports—Newark-Liberty and Atlantic City—also generates essential direct and indirect employment and revenue for the state.

The state will work closely with businesses, the Port Authority of New York and New Jersey (PANYNJ), and the Delaware River Port Authority (DRPA) to promote international business development within New Jersey's ports and logistics systems. The state will actively market the southern New Jersey ports to businesses in countries that import large amounts of goods to the United States. The state will cooperate with PANYNJ to promote the availability of sites within the Portfields Initiative to the international business community and to promote the port facilities to businesses. In addition, the Office of Economic Growth will explore new port opportunities along the Delaware River.

The state will also continue to work with PANYNJ, DRPA, the South Jersey Port Corporation, and private sector firms to implement planned investments in this critical infrastructure. This includes plans to:

- Accelerate the completion of the New Jersey Express Rail effort, which is creating a comprehensive on-dock rail network at Port Newark/Elizabeth;
- Build Port Connections, a joint effort of the New Jersey Department of Transportation and PANYNJ to build truck ways between Port Newark/Elizabeth and intermodal rail yards and near-port distribution centers;
- Support the development of southern New Jersey's ports through the development of a new port facility in Paulsboro;
- Accelerate efforts to modernize Terminals A and B at Newark Liberty International Airport; and
- Expand Atlantic City International Airport.

The Office of Economic Growth will also work with PANYNJ to accelerate the Portfields Initiative's development process. This initiative—a joint effort of PANYNJ, the Economic Development Authority, and the Department of Environmental Protection—is designed to encourage the development of warehousing and distribution operations in idle sites and brownfield sites in the Port District, an area within an approximately 25-mile radius of the Statue of Liberty. PANYNJ and the Economic Development Authority have begun to encourage companies to locate operations in 17 portfields sites.

3. Expand Foreign Trade Offices

The state will expand its international presence, leveraging the Port Authority of New York and New Jersey's (PANYNJ) existing offices and the state's network of contacts to create foreign trade opportunities. Currently, the state has only two regional Foreign Trade Offices. These offices provide international trade counseling services and offer a variety of in-market export assistance to the New Jersey business community. Working with the PANYNJ, the state will expand its presence in export markets in order to attract additional foreign direct investments. In addition, New Jersey will adopt the promising practices of other states to provide online services and to develop partnership programs to match companies and opportunities with New Jersey-based businesses and global markets.

4. Promote International Business Development

- Create a strategy for developing partnerships and marketing the state globally.

The state will create an International Trade Policy Office to promote economic growth through increased international commerce and foreign direct investments. The state will develop strategies to effectively provide services that grow New Jersey-based business and to attract foreign companies to invest in our economy. The state will help companies, especially small and medium-sized enterprises, to understand, enter, and thrive in today's global economy through increasing New Jersey's share of trade in global markets, thus attracting new foreign direct investment to secure jobs and capital.

- Implement export education and training.

The state will develop and sponsor a number of export education and training programs to provide companies with information to expand export opportunities. Leveraging the experience of other states and partnerships, the Office of Economic Growth will direct the assessment and development of training programs for New Jersey-based companies to gain value from training in export processes, exporting tools and techniques, and partnerships within key regions.

E. IMPLEMENTING THE STRATEGY AND MEASURING PROGRESS

The action steps outlined in this Economic Growth Strategy will support building an environment conducive to economic growth, innovation, and prosperity, which will lead to an increase in the number of private-sector jobs in New Jersey. The Office of Economic Growth will be responsible for leading the implementation of this strategy.

Each action step has been assigned to a specific state government department, commission, or authority that will be the lead implementer. None of these actions, however, can be implemented by only one entity. Instead, the state's departments, commissions, and authorities will collaborate with one another and with business, labor, education, and community leaders.

To measure the success of the Economic Growth Strategy and to obtain information that can be used to refine the state's strategy, the Office of Economic Growth will monitor a variety of statistical metrics on a regular basis. The primary metric to be used to monitor the strategy's success is private-sector job growth. The overall goals of the state's strategy are to:

- Increase private-sector job growth in the state at a rate that exceeds the regional average.
- Increase private-sector job growth in key growth sectors (such as financial services, information technology, communications, and life sciences) at a rate that exceeds the national average and that exceeds those of similar states.

To ensure that every action step identified in this strategy is contributing to the state's economic growth, additional metrics will be developed for each action step. Each department, authority, or commission responsible for the implementation of the action steps will develop these metrics in collaboration with the Office of Economic Growth.

To ensure full disclosure and accountability to the residents and businesses in the state, the Office of Economic Growth will release all metrics publicly each year. The Economic Growth Strategy will be an evolving document that will build on the annual reports and feedback from the state's citizens, community leaders, and businesses.

Appendix A. Action Council for the Economy

Department of Agriculture
Department of Banking and Insurance
Board of Public Utilities
Casino Reinvestment Development Authority
Commerce, Economic Growth and Tourism Commission
Commission on Higher Education
Commission on Science and Technology
Department of Community Affairs
Delaware River Port Authority
Economic Development Authority
Department of Education
Department of Environmental Protection
Department of Labor and Workforce Development
New Jersey Transit
Meadowlands Commission
Port Authority of New York and New Jersey
Secretary of State
South Jersey Port Corporation
Department of Transportation
Department of Treasury
Turnpike Authority