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# *Committee Meeting*

of

## JOINT COMMITTEE ON ECONOMIC JUSTICE AND EQUAL EMPLOYMENT OPPORTUNITY

*“The topic of the meeting will be the state of the New Jersey Economy with an emphasis on the recent report prepared by McKinsey & Co.*

*Invited speakers represent the NJBIA, the African American Chamber of Commerce, the New Jersey Chamber of Commerce, the New Jersey Poverty Research Institute, the New Jersey Institute for Social Justice, and former gubernatorial candidate Jim Johnson”*

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**LOCATION:** Committee Room 10  
State House Annex  
Trenton, New Jersey

**DATE:** December 18, 2017  
9:30 a.m.

### **MEMBERS OF COMMITTEE PRESENT:**

Senator Ronald L. Rice, Co-Chair  
Assemblyman Bennie E. Wimberly, Co-Chair  
Senator Jennifer Beck  
Assemblywoman Holly T. Schepisi



### **ALSO PRESENT:**

Todd W. Moore  
Gregory L. Williams  
*Office of Legislative Services  
Committee Aides*

Mark Magyar  
*Senate Majority  
Committee Aide*

Kristen Onto  
*Assembly Republican  
Committee Aide*

Nicole Brown  
*Assembly Majority  
Committee Aide*

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

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RONALD L. RICE  
Co-Chairman  
BENJIE E. WIMBERLY  
Co-Chairman

NELLIE POU  
SHIRLEY K. TURNER  
LORETTA WEINBERG  
JENNIFER BECK

PAMELA R. LAMPITT  
GABRIELA M. MOSQUERA  
SHEILA Y. OLIVER  
HOLLY T. SCHEPISI



**New Jersey State Legislature**  
**JOINT COMMITTEE ON ECONOMIC JUSTICE AND**  
**EQUAL EMPLOYMENT OPPORTUNITY**  
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**COMMITTEE NOTICE**

**TO:** MEMBERS OF THE JOINT COMMITTEE ON ECONOMIC JUSTICE AND EQUAL EMPLOYMENT OPPORTUNITY

**FROM:** SENATOR RONALD L. RICE, CO-CHAIR AND ASSEMBLYMAN BENJIE E. WIMBERLY, CO-CHAIR

**SUBJECT:** COMMITTEE MEETING - DECEMBER 18, 2017

*The public may address comments and questions to Gregory L. Williams, Todd W. Moore, Committee Aides, or make bill status and scheduling inquiries to Cynthia D. Petty, Secretary, at (609)847-3845 or fax number (609)777-2998. 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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**The Joint Committee on Economic Justice and Equal Employment Opportunity will meet on Monday, December 18, 2017 at 9:30 AM in Committee Room 10, Third Floor, State House Annex, Trenton, New Jersey.**

The topic of the meeting will be the state of the New Jersey Economy with an emphasis on the recent report prepared by McKinsey & Co. Invited speakers are expected to represent: the NJBIA, the African American Chamber of Commerce, the New Jersey Chamber of Commerce, the New Jersey Poverty Research Institute, the New Jersey Institute for Social Justice, and former Gubernatorial candidate Jim Johnson.

Issued 12/13/17

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**SENATOR RONALD L. RICE (Chair):** Good morning. (no response)

Where we come from, up north in Essex County -- it's unlike the southern part of the state -- when we say "good morning," people usually respond, "good morning."

**UNIDENTIFIED MEMBERS OF AUDIENCE:** Good morning.

**SENATOR RICE:** There you go; now it sounds like Down South. (laughter)

So I just want to (indiscernible) what's there; I'm yelling at people; I was really from the (indiscernible), okay?

We want to thank you, those of you who are participating here.

This is the Joint Committee on Economic Justice and Equal Employment Opportunity. I'm the Co-Chair, Senator Ronald L. Rice. And we have a Co-Chair, Assemblyman Ben Wimberly. And unfortunately, for some members today -- because I would want them to really hear what you have to say -- the leadership in both houses called meetings today. So members of this particular Committee, the Joint Committee, are also on other Committees that I believe are trying to move legislation out today. So that's important.

What's important for us, on this Committee, is to have some testimony and some record, in reference to growing New Jersey's economy and creating job opportunities. And let me be clear for the record -- the Committee on Economic Justice and Equal Opportunity is a Committee that was established, with Senate President Sweeney's help, at our request; and Assemblyman Prieto at the time. And it's important because we know

that many of the issues that impact the minority communities -- black and brown people, and women in particular, and immigrants -- are issues that are not discussed regularly in the other various committees that we have. And so there are a lot of reasons for that; some of the reasons, I believe, are that some of my colleagues simply don't care about our issues; some have an agenda, and they create their own priorities; and some just don't care one way or the other. And then there are those of us who care.

And so the Senate President understood that, and he was kind enough to let me put together a resolution to create this Committee.

I would hope, though, we could find a way to make it permanent, so we don't have to submit the resolution every two years. That kind reminds me of the Voting Rights Act; you know, they tell us every 25 years or so, black folks can get a chance, if we behave ourselves, to vote again, you know? (laughter) So that's synonymous to me, in my mind; but then that's just my thinking. And anyone who knows me knows I think a little differently than most folks, based on my history of struggle.

With that being said, before we get started, I'm going to have a roll call for the members who are here.

Would you take a roll call?

MR. WILLIAMS (Committee Aide): Yes.

Co-Chairman Wimberly.

**ASSEMBLYMAN BENJIE E. WIMBERLY (Vice Chair):**  
Here.

MR. WILLIAMS: Assemblywoman Schepisi.

ASSEMBLYWOMAN SCHEPISI: I'm here; and if I may, Mr. Chairman, I just want to let you know I, too, have -- because I think I'm

Superman today; I have a 10:00 a.m. and then an 11:00 a.m. -- different Committees. So if I sneak out, it's not because what you have to say isn't important. It's just one of those crazy types of days down here.

SENATOR RICE: We all understand, that's why we are transcribing, okay.

ASSEMBLYWOMAN SCHEPISI: Okay; thank you.

MR. WILLIAMS: Assemblywoman Oliver. (no response)

Assemblywoman Mosquera. (no response)

Assemblywoman Lampitt. (no response)

Chairman Rice.

SENATOR RICE: Here.

MR. WILLIAMS: Senator Beck. (no response)

Senator Weinberg. (no response)

Senator Turner. (no response)

And Senator Pou. (no response)

SENATOR RICE: Okay.

I'm going to let the Co-Chair, Assemblyman Ben Wimberly, say a few things before we get started.

ASSEMBLYMAN WIMBERLY: Good morning.

As Senator Rice said -- and unfortunately, I have a 10:00 a.m. Telecommunications meeting; and I am actually the Co-Chair (*sic*). So I'm going to step out for a minute, but what you have to say is very important.

Just recently we had a meeting in Hanover about manufacturing -- the lack of employable people who they seek in particular areas, and the training. And particularly, I have a concern about where vocational training is going here in the State of New Jersey, and how it's

benefitting our young people beyond college. And it appears that many of the vocational schools have turned into institutions, instead of training our kids in areas that they could be beneficial to the State and themselves in the long run, when it comes to manufacturing and many hands-on jobs -- employment opportunities that we need and have here in the State of New Jersey.

So I'll be stepping out for a minute, but I will be right back.

SENATOR RICE: Okay. With that being said, let me just say to you, we are here today to try to figure out, as I indicated before, how do we grow our economy. We know -- particularly those of us of color, and women -- that the best way to economic justice is to create jobs and job opportunities that require training and a lot of other variables that go into that mix. But the main thing is to create jobs.

ASSEMBLYMAN WIMBERLY: Yes.

SENATOR RICE: And we're taking a look at a lot of different research. We took a good look at the McKinsey Report; hopefully many of you are familiar with it. We think that report is on point, in terms of some of the things we need to be doing.

I'm involved with the National Black Caucus of State Legislators at the national level; and I'm the Co-Chair, at that level, of what is known as the *Labor and Workforce Development Policy Committee*. And we know, across the country, that other states are far ahead of us when it comes to economic justice and equal employment opportunities; and they are ahead of us in that because they know how to attract and grow businesses and keep them there. They also know how to keep their student population there.

And so for the record, the McKinsey Report reveals an important fact, and that is that New Jersey has not been investing enough in people, infrastructure, and young businesses. It points out that we are losing, as a State, our highly educated millennials to other states. The report suggests ways businesses and organizations in New Jersey can work together in an effective manner to add more than 250,000 jobs and \$150 billion to the New Jersey economy over the next decade.

And as you all know, we have a new Governor coming in, and a new Lieutenant Governor, and I think they're committed to the task of creating new jobs and growing the economy.

But there is also a finding in that report that some states have focused on creating better opportunities for fast-growing, young entrepreneurs and young companies to be attracted to their respective states.

The report also found that only 5 percent of companies with 500 employees or more in New Jersey are less than 10 years old, compared to 11 percent across the country nationally.

New Jersey has less than two dozen incubators and business accelerators statewide, compared to 179 just in New York.

New Jersey has a workforce problem, as noted by the report; but I think all of us know that. And that's why Assemblyman Wimberly and I -- we both sit on the State Education Training Commission, and we're trying to do some pathways to address that. I think the Labor Department Commissioner is doing a good job in setting that stage, based on the new Workforce Investment Opportunity Act, and the amendments that were

put out there by the Obama Administration. And so we do have that problem.

We have more high- and low-skilled workers than employers need, which is interesting. We have jobs, but we don't have that in-between piece to fill the jobs, because the jobs are mostly middle-class (*sic*) jobs, according to the report.

In 2016, only 0.15 percent of the employed population was in an apprenticeship program, compared to 0.26 percent across the United States. That bothers me because we're talking about apprenticeship programs in corporate America and in other businesses, but it bothers us because we passed a law, an apprenticeship program in the construction trades, and I know over \$17 million winded up in the Christie Administration in the general revenue. And I think we're going to revisit that because the law says we have to collect that money. And there may be a way to shake that money, along with others, to kind of redo the legislation where we can kind of share what we have to do with some of the industries. So this report becomes important in pointing that out.

It's important to note, that the report indicates that the study done found that New Jersey incentive programs have focused more on retaining major employers than creating new jobs. I think that's an important point, because I know we've passed legislation that was intended to attract new businesses to New Jersey -- and I think the Chamber and others remember that legislation -- and what we got was a move of a corporation from the Secaucus area to Newark. That did not -- that wasn't the intent of that legislation; I don't care what anyone says, because I was here, arguing that legislation. And the argument was, "Well, we didn't want

to lose them.” I don’t think we would have lost them anyway, if we would have done the right thing. But we didn’t want to lose them.

What the McKinsey Report is actually saying is that we need to maintain those kinds of corporations in the state. But when we pass legislation like that, we need to use that legislation to attract those other industries in here.

Out of 19 leading industries in New Jersey, it was found that 16 grew at rates below their industry’s national average from 2010 to 2015. With this information, a finding in the study reported the question that we’re here today, in the Legislature, that we need answers to -- is, “How do we address this in the 2018 legislative session.”

And the question is, how best do we, in New Jersey, use this information -- from the McKinsey Report, and other information that will be provided to us today -- to create future opportunities; and what are the best ways to do so?

Today, this Committee is asking you, members of our business and public policy organizations, to give us your perspective on the report, and other information you may have that would be helpful to the new Legislature and new Governor -- the Governor-elect as a starting point for us to move forward. Because there will be some changes, as always, I know in the Administration; but we don’t need to go back and do things that we know have not been successful just to be doing them, and saying, “We’re moving government.”

So with that being said, I want to invite our first speakers up, and I’m going to ask them to come up together. We’re not going to be here

that long; I need to get some questions answered; so as my members go out, I'll still be here to get these questions answered.

And so why don't we ask Mike Egenton, State Chamber, and Michael Wallace, NJBIA, to come up and-- I don't know -- I know that John Harmon is supposed to be here from the African American Chamber of Commerce, but he can speak once he gets here.

We also have Jim Johnson here, one of our analysis and policy people, who works with our Civil Rights groups; as well as New Jersey Black Elected Officials Policy Alliance, and the Black Issues Convention, etc., that is an authority on a lot of these policy issues.

So with that, why don't you give us your thoughts. And you can choose who goes first, who goes--

**MICHAEL E G E N T O N:** Mike will kick it off.

**MICHAEL W A L L A C E:** Okay, I'll kick off.

Good morning, Chairman and members of the Committee.

My name is Mike Wallace from the New Jersey Business and Industry Association.

It is an honor to speak before you today.

Today's meeting regarding the State's economy, with an emphasis on the McKinsey Report, is extremely important, and NJBIA appreciates the invitation to be a part of the discussion.

The McKinsey Report identified four major factors that have limited economic growth in New Jersey. The first being, the State has relatively few young companies that have grown into major employers.

The second factor is its aging infrastructure, which exacts a toll on productivity, raises the cost of doing business, and diverts public funds from uses that might generate more growth.

Third is, the State's efforts to spur growth through tax breaks and other incentives for employers to locate or remain in the state have not been as effective as similar programs in other states. Although New Jersey has been good at retaining existing employers, other states do more to attract fast-growth companies.

Finally -- and this is where I'm going to focus the remainder of my comments -- is that New Jersey has a significant labor market mismatch between demand for middle-skill workers and the supply of workers with appropriate skills.

Middle-skill workers are those with advanced skills that are typically achieved by post-secondary training or education, but not necessarily a four-year degree. Although the McKinsey Report refers to them as *middle-skill workers*, I'm going to refer to them as *advance-skill workers*.

According to the National Skills Coalition, an estimated 53 percent of all jobs in New Jersey in 2015 were appropriate for advance-skill workers. Furthermore, 50 percent of all job openings, between 2014 and 2024, are expected to be advance-skill jobs. Advance-skill work, however, represents only 37 percent of the labor force in New Jersey.

To address the gap between the demand for workers with advance skills and the supply of workers with appropriate skills, NJBIA supports workforce development and job training programs that will ensure that New Jersey's future workers are workforce ready with technical and employability skills.

We also support emphasizing skill-building among New Jersey's current workforce, especially among low-wage positions, in order to raise skills that will, in turn, raise salaries. This should be done by promoting quality career and technical education opportunities that prepare students for careers, as well as college; improving standards and hands-on learning opportunities for students to help them develop the necessary employability and technical skills; establishing a list of career pathways in growth industries, and indicating the skills, education, certification required for each, along with a clear direction for individuals interested in pursuing them; ensuring workforce training programs are efficient and employer-centric; incentivizing workforce training programs through grants or tax credits; and ensuring collaboration among academia, business, and government to advance workforce readiness.

In closing, I want to thank the Committee for allowing NJBIA to have a seat at the table, and look forward to working with you on these issues.

MR. EGENTON: Chairman, Michael Egenton, New Jersey State Chamber of Commerce.

I'd like to echo what Mike Wallace, my colleague at BIA, said.

Thank you very much for giving us the opportunity to have a seat at the table and discuss with you the McKinsey report and some of our collaborate ideas to make New Jersey strong.

First, I'd be remiss, Chairman, if I didn't recognize you, the Co-Chair, and members of the Committee for the support that you gave us in the last several years in replenishing the Transportation Trust Fund. As you

know, I've been with the State Chamber for 25 years. I've been working on that issue those 25 years -- to have a sustainable funding mechanism.

Through our President of the State Chamber, Tom Bracken -- he was the Chairman of the Forward New Jersey Coalition. And what we did was, I believe, a template that we can use on a lot of these issues, going forward. We put a coalition together of all interests, whether it was the League of Municipalities, the Association of Counties, the trade laborers, the business community -- all collaborating on the same page to make sure that we replenish the TTF. But the innovative way was, we didn't go to you, as policymakers, and say, "Here, you figure it out." We came up with a menu of options of how we would replenish the TTF.

And as you, Chairmen, we obviously went with the increase in the gas tax, but we also saw it as an investment. We also did a tax reform package that we did in tandem with it; and we also constitutionally protected those dollars, which is critically important. Because I remember we, years ago, worked on the Unemployment Insurance Fund, along with my colleagues at BIA, to make sure that -- to put sustainability back in that Fund. And there was a time that that Fund was in crisis mode, but we constitutionally protect it, I am now happy to say. And I know you've gotten the reports from the Department of Labor -- there is solvency back in there. And that's, again, something that we can do with other funds as we go back to our members to tell them how we are going to invest properly.

With regard to infrastructure improvement -- we now have the TTF; we're at a good place to have Federal matching dollars, as the Federal government also looks to resolve how they're going to fund the transportation infrastructure. One of the key items, though, right now, that

still bogs us down is getting the money out into the streets. And now that we have the TTF and the solvency, we need to expedite those dollars out.

We can no longer afford not to invest in transportation; but also in other infrastructure -- water, power, sewerage -- including maintenance and upgrades in existing infrastructure, and new required projects.

We can no longer afford the maze of agencies and funding sources associated with infrastructure investment. Instead, we must establish one fiscally responsible, comprehensive funding source; and again, as I said, constitutionally mandate that it is protected.

And we can no longer afford to have government alone make infrastructure investments. We must embrace, and continue to investigate, public-private partnership opportunities when they are available.

Now, speaking with regard to our millennials, we know that if they are given the opportunity, the millennials will move into our cities, as long as you provide a good transit system -- whether that's rail, or bus, or those Zipcars that they can rent. They're no longer tied down to suburbia and having a car, but you have to provide those services to them.

As you know, Chairman, Panasonic -- when they were looking at where they were going to move in New Jersey, one of their number one reasons why they picked Newark was because of the excellent transit hub to get their employees in and out of the city.

So instead of migrating out of the state to cities with accessible public transportation, millennials will have access to the same type of options available in our region. As our young workforce begins to stay in Newark, New Brunswick, Trenton, and other cities in New Jersey located

along the transit line, New Jersey must retain those systems, enhance and upgrade them for potential economic growth. Establishing thriving transit areas will allow New Jersey to reach the other goals outlined in the McKinsey Report.

Now, Chairman, I just wanted to jump, real quick, to regulatory economic development.

As you know, over the years, I've worked with several different Governors, from Jim Florio all the way up to our current Governor and the Governor-elect coming into office. Each Governor always had sort of the handprint on how they wanted to do economic development and where the business community -- particularly our middle-market, small business members -- go when they have questions and concerns. I would say the template that we have right now does work; and I would implore the Legislature and the Governor-elect to look at the template that we have in place. We have a Red Tape Review Commission that was implemented to eliminate onerous and redundant regulations. I believe that's a bipartisan commission that should be maintained in the next legislative session, next Administration.

We have the Business Action Center that a lot of our members go to when they have a problem. And certainly, Chairman, you can recognize and appreciate -- particularly if you're a small business -- sometimes you don't have that access; you know, "Where's my permit in the process?" "How do we move things along?" We've gotten a lot positive feedback with regard to the Business Action Center, and being able to hear the concerns of small businesses. And so again, that's another recommendation along the lines of providing that access to our members.

In conclusion, as Michael Wallace said, our organizations both look forward to working with all of you on all of these key items; and again, with the ultimate goal of improving the economy here in New Jersey and providing jobs, especially to the young individuals who are graduating from our schools -- that we don't lose them to other states; retain and keep them here in New Jersey.

Thank you, Chairman.

SENATOR RICE: You're welcome.

Do you have any questions you want raised?

ASSEMBLYWOMAN SCHEPISI: Actually, I do, if you wouldn't mind.

I've actually participated in some of the growth programs in other states -- on the business side of things -- Capco programs; a whole host of things in Texas, Alabama, New York state -- so seeing what's worked and hasn't worked.

I also represent an area in which we've lost several huge employers over the past several years because of not being able to keep up with some of either the incentives, cost of living -- a whole host of things that other states are doing.

And just from what I've seen personally in the past couple of years -- kind of barriers to what's in this report-- And trying to grow robust angel VC kind of new emerging markets within New Jersey includes cost of education. I mean, even for our public schools in New Jersey, the cost of education is significantly higher than going as an out-of-state student to other students -- public schools in other states.

I was talking to my neighbor yesterday who went to Ramapo; she owes almost a quarter-of-a-million dollars in student loans and has no idea what she's going to do.

We have a lack in New Jersey of VC and angel investors. Without being able to incentivize that sort of investment within the state, we're never going to be able to have that robust community that we're speaking about. And I don't know if these are things that you guys have thought through--

MR. WALLACE: Oh, yes; absolutely.

ASSEMBLYWOMAN SCHEPISI: --and have put forth plans, or different sort of blueprints.

Another one is the loss of manufacturing companies for people who were doing more of the trades type of programs, due to regulations put forth by the State. And how do you now train people who shouldn't necessarily have to incur a quarter-of-a-million dollars -- that they're never going to pay -- and instead get robust sort of apprenticeship training programs from high school onward; so people don't feel that's the only option -- to go to a school and incur that debt.

And finally, out of our high-tech graduate programs where a lot of the incubators are, a significant number of those students are actually foreign students who leave New Jersey. And out of our students who are going to other states to study, they're not coming back.

So I don't know if you guys have explored doing any sort of public-private partnerships with loan forgiveness programs for students who do get educated in New Jersey -- whether or not it be through an apprenticeship program, whether or not it be through a four-year program --

and if they agree to live and work in New Jersey for a certain period thereafter-- Whether or not that's something we should start exploring and have loan forgiveness programs, rather than just pure tax credit programs. You know, have you guys addressed or looked at those core issues? Because I think those are the most important reasons that we're not being able to grow, where other states have been.

MR. EGENTON: Through the Chair?

SENATOR RICE: Yes.

MR. EGENTON: All good points, Assemblywoman. Michael and I were nodding our heads.

I mean, as you kind of laid out, there isn't one silver bullet; one issue that you can really-- You have to tackle them multi-faceted.

One idea that I know that we were looking at on the education front -- I know Dr. Ali Houshmand at Rowan has talked about going to our county colleges, doing two or three years there, and being able to go to those universities and get your degree from there, which is a big cost savings. I mean, innovative, creative ideas like that absolutely have to be done because of the cost of education.

ASSEMBLYWOMAN SCHEPISI: I know Bergen and Farleigh are doing that right now.

MR. EGENTON: And the brain drain--  
I'm sorry?

ASSEMBLYWOMAN SCHEPISI: Bergen Community College and Farleigh Dickinson are doing that.

MR. EGENTON: Yes; so any creative innovative ways like that, that we can do to be competitive. Because we've seen it, not only in

the out-migration, but where very potential students get their degrees from fine academic institutions here in New Jersey, and then they leave. So somehow we're trying to create that nexus in our organizations. I know Mike will talk about his manufacturing caucus, that BIA has helped create, to see how we can connect employers, and employees, and the students to make sure they have the right skills, going forward; because that whole marketplace is changing with technology. From what I learned when I was in school, versus what's being taught now, it's just ever-changing. And we want to make sure that they're getting the right skills so they're attractive to the employers that are looking to bring them into their workforce.

All the components that you mentioned are things that we're looking at.

The incentive programs -- I really, truly believe we had to step to the table to make sure that we were being competitive. Because I testified a couple of years ago -- when asked about it, "Why are we putting so much emphasis in that?" Because there was an economic war going on out there; all the other states do it. We used to rely on quality of life, and all the things that New Jersey had to offer: location, education, workforce development, etc. But we were seeing other states throw incentives out and attract-- We see that with Amazon right now. I mean, everybody's trying to make sure that they are competitive in attracting Amazon to our state. However, we have to do it smarter and wiser, and we have to really enhance what we do have here, and pay attention to the quality workforce that we have and try to keep them here in New Jersey. Otherwise, if we don't pay attention to all the factors that you mentioned, we are going to continue to see that out-migration.

So even though these are some of the quick areas that Mike and I have highlighted, there is a whole litany of things that we have to tackle and try to-- I know the Governor-elect talked about bringing back the *Innovation State*. We used to be the *Medicine Chest* in New Jersey. So how do we tackle that? Do we -- we looked at working with the bio industry to say, "What do you need to make it attractive for you to grow here in New Jersey?" since that's an emerging, growing industry. We were at that height at one time. And like any industry, if you take that for advantage (*sic*), it will go away. You have to pay attention to it.

ASSEMBLYWOMAN SCHEPISI: Right. Are you--

And last question. Are you guys working with other states, economists, people outside of, kind of, our little bubble to try to see how we can maybe predict additional future types of things?

One of my biggest concerns is, right now we're simultaneously having discussions about increasing minimum wage, livable wages -- that sort of stuff. And a report came out last week that an unintended consequence, in a place such as California, could be a loss of 400,000 jobs. I just came back from Australia that has great wages, but everything is now automated.

Have we started exploring -- ensuring that if things do become automated more so without people, that we have programs in place -- apprenticeship programs, those sorts of things -- to teach people the technology that will necessitate that automation, so that we're not just losing jobs without having replacement stuff?

MR. WALLACE: Yes; and through the Chair, in regards to apprenticeships. We are working closely with our partners at the New

Jersey College Consortium for Workforce Development to establish apprenticeship programs at each of our community colleges. We're also working closely with NJIT -- and the U.S. Department of Labor, State Office of Apprenticeships, where NJIT is now a sponsor -- where they help businesses in the Newark area register for those apprenticeship programs. Because, most often, one of the barriers for businesses participating in these apprenticeships programs is the actual application and the paperwork.

So the U.S. DOL is working with entities, such as NJIT, to become sponsors to help businesses sign up for these registered apprenticeships.

One other thing I would like to add, and possibly recommend for the Committee -- New Jersey does have an Angel Investor Law that has been on the books for at least two or three years. I know there was an amendment made this year to open up the programs to investors who invest through holding companies. I'm not sure if a report or an assessment of the program has been done since it's been implemented. So I think that's a good place to start to assess what we are already doing in the state, as far as an angel investor program.

SENATOR RICE: Assemblywoman, do you have any other questions?

ASSEMBLYWOMAN SCHEPISI: No, thank you.

SENATOR RICE: Would you give your name for the record?

ASSEMBLYWOMAN SCHEPISI: Assemblywoman Holly Schepisi.

SENATOR RICE: Yes, that's who made the last statement.  
(laughter) When you refer to the transcript -- that's the *Assemblywoman*;  
that's who she is.

Okay, I want to acknowledge Senator Jennifer Beck here today,  
who is very much interested in all of this stuff that we're talking about.

Senator, welcome.

SENATOR BECK: Thank you.

SENATOR RICE: Do you have opening comments you want  
to make before I raise some questions?

SENATOR BECK: Just thank you, Chairman; I'm happy to  
join.

My apologies for being late; it turns out I have a Budget  
Committee at the exact same time as this Committee, so even though I try  
in life to be in two places at the same time, it's not possible.

So I am happy to join. I read the McKinsey Report; I thought  
it was interesting. I have some questions about it. I think some of the  
things that they talk about in here we are already doing. Maybe we need to  
do them better, but some of the groundwork has already been laid. And it  
did raise some interesting ideas, particularly in relation to young companies  
that aren't getting the same kind of emphasis as some of our more mature  
businesses in the State of New Jersey. And obviously, that could be an area  
of focus going forward.

SENATOR RICE: Thank you, Senator.

Assemblyman Ben Wimberly is back; he's going to be with us  
for a little while now. They threw him out-- (laughter) No, not really.  
They changed the meeting, I believe.

You know, let's back into a couple of the issues that were raised. And then, since the Assemblyman is back, why don't we start-- Because Michael Egenton-- These *Mikes*, you know -- you're going to be Michael (indicates), and you're going to be Mike, correct? (laughter)

MR. EGENTON: The two Mikes.

SENATOR RICE: Okay, so Michael Egenton -- you mentioned the transportation piece.

MR. EGENTON: Yes.

SENATOR RICE: And I know that Assemblyman Wimberly has been saving questions he wants to raise about that so we can kind of get some focus and some pinpoint as to the direction we should be going. Because you're right; I took a hit on the 23-cent tax. And the problem I have, of course, is-- Understand, this is the Economic Justice Equal Opportunity Committee. I don't see a lot of projects going; but the ones I do see going, I still don't see black folks, women, and brown folks out there.

And so when the industry and corporations argue that we have these needs, they should also be bold enough to argue that there has to be women and minority participation if we're going to create jobs.

But on the transportation piece, in and of itself, Assemblyman Wimberly, I'm going to turn it over to you for a moment

ASSEMBLYMAN WIMBERLY: Mike, Michael (laughter) -- just as far as the transportation piece goes, are there any things that we should be aware of, as far as goals, as far as initiatives in expansion that you can share with us?

MR. EGENTON: Well, as I said, Chairman, we are in a good place -- that we renewed the TTF -- especially in light of the fact that the

Federal government is now looking at what they're going to do. And we're in a good financial position for Federal matching dollars.

I think you all, collectively, can continue to have your voice heard on the Gateway project, which is key and critical to our state. My organization, you know, has always supported those infrastructure improvements, as we see the region growing. A lot of our infrastructure was built at the turn of the century when Eisenhower (*sic*) was President. So, you know, it is falling apart; I mean, one of our companion organizations that works with us in the Forward New Jersey coalition -- New Jersey Alliance for Action -- went around the state and took pictures of the bridges and how they were decaying and everything. One of the things that I had asked is that we expedite some of that money, now that we have it in place, to get it out there, and to make sure that-- You know, there are plenty of projects to be done, but to make sure that we're getting the money out there to the projects.

And to Senator Rice's point, making sure that there is an open process to make sure that the right individuals are being hired for those projects, regardless of background. You know, as long as you have the necessary qualifications and experience, that should be an open process. I'm not familiar with the nuances of it, but anything that can be improved-- I know John Harmon just joined us, from the African American Chamber. John's been a big advocate, with us in the State Chamber, in calling for more jobs for women and minorities.

ASSEMBLYMAN WIMBERLY: And I know you mentioned -- you talked about the Transit Village program to spark growth and new

things. Obviously, that could benefit a lot of our urban hubs. Can you identify some of the deficiencies with those kinds of projects?

MR. EGENTON: I guess, from my experience, it's the long process and the time constraint. Because obviously, as we're having this out-migration syndrome going on, we want to make sure that we're expediting those transit villages and making those readily accessible to the so-called *millennials*.

Because as I said, if you provide them a good transit system-- And it doesn't have to, necessarily, be trains alone. A good bus system; I know in some of the urban centers they have these Zipcars where they can rent them and travel around locally and everything. Just anything that they can readily use to convince them that, you know, "Come back into our cities. There's a lot going on there; a lot of economic growth going on there." But at the same time, government-- And it shouldn't be government alone, as I said in my remarks. We should investigate public-private partnerships to help expedite these projects, expedite transit villages. Because I'm a big believer in, "If you build it, they will come;" but you have to provide--

And it has to be a good, seamless, system. I don't have to preach to the choir; we know there have been some challenges with our transit system in the last few years. But they are also in dire straits too; their system is old and has to be repaired. But it has to be a collaborative effort of everyone having a seat at the table, and making sure that we're focused on keeping our transit system well-maintained and enhanced. Because if you ignore that, Chairman, people, businesses, students -- they

will go away. So we have to make sure that we don't take the transit systems for granted.

ASSEMBLYMAN WIMBERLY: Thank you.

And Mike, real quick, while I have you. I know we sat through a hearing the other day about manufacturing. And the one thing that I took away from it -- and I did speak to the Chairman -- at no point, with all these business owners and manufacturers, I guess throughout the State of New Jersey, did anything as far as job training with minorities and females come up at all. Did you notice that at all during that meeting? What do you think about that -- that particular area?

MR. WALLACE: I did notice that; however, I believe they were speaking more generally, as far as statewide job training.

ASSEMBLYMAN WIMBERLY: It was a lemon squeeze; they were just letting it out.

MR. WALLACE: Yes.

ASSEMBLYMAN WIMBERLY: I know that.

MR. WALLACE: Absolutely.

ASSEMBLYMAN WIMBERLY: But at the time, I'm just sitting there and I'm wondering. That's why I came back; when you're talking about training--

MR. WALLACE: Yes.

ASSEMBLYMAN WIMBERLY: --in particular, in these areas-- One of the business owners is in Paterson, literally five blocks from my house, and I didn't even know he existed. And he said he can't find employees. And every day I'm looking for a job for people, or people are coming to me for jobs. How do we make it more accessible when you have

jobs like that, or good money? As they're saying, they're paying very good money for people to be trained and become master die persons, and stuff like that. Do you have any recommendations as far as that is concerned?

MR. WALLACE: There is no question that businesses need to step up and be part of the conversation, and be a part of the process of starting these programs with education, whether it be the county vo-techs, community colleges, or the four-year schools. But they all need to be at the table, creating and establishing these programs that would allow a person to attain credentials and get on this career path, with the off-ramps and the onramps that would allow someone to enter the workforce when need be. And when they want to go for a higher credential or a four-year degree, they could step back into that same career path and attain that higher credential.

ASSEMBLYMAN WIMBERLY: Well, I'll continue to be a voice, but I just ask that you do; you also. Because just for some reason, I just didn't have the feeling that they had any empathy for females or minorities when they came to that field; and, in particular, recruiting.

MR. WALLACE: Absolutely.

ASSEMBLYMAN WIMBERLY: You know, and these are some viable fields. And the concern I have with our vocational school in our town is, they now cherry-pick; they take the best of the bunch. They're not taking that kid who could be an auto mechanic and be, really, efficient; or somebody who is having to work in -- a machinist, or something like that. They've gone in a whole different direction. So these kids are being pushed back to the comprehensive high schools where they are not going to be college-ready, or ever going to be college-ready.

MR. WALLACE: Yes.

ASSEMBLYMAN WIMBERLY: So that gap, somewhere, even with our community colleges -- we can't wait until it's too late. And I heard Assemblywoman Schepisi -- they become encumbered with outstanding college loans, even at the junior college level, that they are paying loans back for the rest of their lives. So instead we have to be a voice for that, and we need you guys to be a voice for females and minorities on this.

MR. EGENTON: Absolutely.

Chairman, could I just add one thing to that?

The other collaborative part of that whole sequence, Chairman, is our trade unions talk to us about how they can help with the need that they have in their utilities. And, you know, folks are retiring and everything; they need to bring in that extra workforce. We're starting to get away from the old adage where you have to go to a four-year university or college. There are great jobs out there in dire need of that part of the workforce. So whatever we can do to guide people in the right direction to say, "You don't all have to go to an Ivy League institution." There are industries out there that are in dire need of that workforce. So what do we do to help guide them that way? So that's another change.

ASSEMBLYMAN WIMBERLY: And that's definitely my point; because, unfortunately, you know, the population I serve -- they are largely the minority population of Paterson. They are never afforded the opportunity to work for PSE&G, or the water commission, or anything like that because it becomes a political thing. I mean, we have great kids, great people. Like I say, they're not going to go to college, but they would be viable in some of these careers. But there is so much red tape, it's hard to give them the opportunity to work in these fields, you know?

MR. EGERTON: Yes. Thank you.

SENATOR RICE: Just to follow up on that.

The Workforce Investment Opportunity Act, with the changes that were made with the Obama Administration, kind of mandated those new pathways.

I think, also, we need to take a look at the college boards -- in particular, the community college boards -- because one of the things that is not happening is that these political appointments from the counties are putting people on; good people, in some cases. But we need to have more corporate people on these community college boards, because it's the corporations that know where we're going to be in five years.

MR. EGERTON: Right.

SENATOR RICE: We should be helping to shape curriculums for the new workforce that's looked for. So I just wanted to kind of put that in the mix there, because we're going to have more conversations about this.

And also, you mentioned -- Michael, you can tell me that -- John Harmon from the African American Chamber of Commerce is here, and that he's been arguing the case for women and minority participation in business. So my question to you is, are you listening? -- primarily because John is a part of a network that the New Jersey Legislative Black Caucus put together several years ago. We have over 431 black elected officials, from school boards to Congress, who meet on a regular basis. We usually have 150-plus members in the room when we meet. John speaks for us when he talks about participation we have in our Coalition -- the New Jersey Black Issues Convention, the in state Conference of NAACP, the Institute of

Social Justice, the Urban League, the Black Women -- the Association of Black Women Lawyers in the Garden State Bar State Association, and the Black Doctors. And so we have already been-- We've been having these discussions. You don't see all of us; if you want to see us, we can come together. You'd have to find a big enough place for us.

But the thing is, is that I think, Michael, as long as you are aware that we have been doing this, we have these discussions among ourselves, but we never have them in the Legislature. And so we wonder, when we send a point person in, are people really listening? Because much of the legislation that this Committee needs to be talking about, that goes to other Committees to get passed, has to be information that's coming from folks from a diversity perspective. And we have to know that once we get legislation going through committees, that we're going to be supportive of it; that the input has been there, and you've had conversations, and from a corporate perspective you're serious about that.

We know, as the New Jersey Legislative Black Caucus and this Committee, hopefully we'll bring the labor unions before us; because we know they are our partners. But we have to have some tough conversations with them as to how they do business too, because that is denying-- The way this 23-cent gas tax works, unless we are adamant from this Committee on economic justice and equal employment opportunity, and the women's organizations and minority organizations out there are adamant about participation and fairness, we're not going to get it. We're going to build bridges, and fix bridges, and we're going to act like we don't have folks who can do that, or we don't have programs in place to train them to do the

highway stuff -- the same things we talk about with the Gateway project. That's going to be a lot of jobs.

And so I'm hoping that your organizations, working with the African American Chamber of Commerce, but also other organizations out there -- women's organizations, etc. -- identify business groups where we can identify business opportunities and get them ready, if they're not ready, for what we know may be coming down.

Like I said, everything is new right now, because a new Governor is coming in. So it's great, because that's like clay to me. We can mold this any way we want to, if we're working collectively.

With that being said, I want to back up to some things you mentioned.

You mentioned the New Jersey Business Action Center and the Office of Business Advocacy -- it was provided. But that conversation took you into what is known as the *Red Tape Commission*, which was established back in 2010.

MR. EGENTON: Right.

SENATOR RICE: And that Commission was created to solicit some public input, etc., etc.

So the question to you -- since you are very much aware of the Commission, and probably the Grow program and everything else -- the question is, that although there are many numerous permits and regulations that companies in the state face, the McKinsey Report does not mention the State efforts to assist businesses dealing with permitting and regulatory issues. Knowing that, should the Legislature consider improvement to the OBA -- that's the Office of Business? You know what that is, right?

MR. EGENTON: Right, right.

SENATOR RICE: Okay -- their efforts on this matter; and request the Committee permission to require State departments and agencies to undertake additional review of rules and regulations?

MR. EGENTON: Well, Chairman, there are always rules and regulations that you, as a Legislature, can look at with regard to legislative intent to make sure that the agencies are doing what they're supposed to be doing, and doing it in a timely fashion.

The one suggestion I would make, in all fairness, is-- During the last eight years under the Christie Administration, we all knew the go-to economic development person for any of our members, if they had something in dire need, was the Lieutenant Governor -- Lieutenant Governor Guadagno. I mean, I used to joke around with the Lieutenant Governor, how many venues she would go to and say, "Does everyone have my cell phone number?" And it really was her cell phone number; no kidding. Because a couple of people would challenge me and say, "Oh, it's not hers; some staffer is going to answer it." She did answer it.

I thought that was, you know, government really taking an extra step out forward, telling members of the business community -- particularly, again, in the middle market, small businesses that may not have the access that our large corporate members might have. And if they were challenged with pulling their hair out; you know, "Where's my permit?" and, "I need to get my business operation shovel in the ground," she was very good at getting an answer. And she would always say, "I'll get you an answer. It might not be the answer you're looking for, but I'll at least get you an answer in a timely fashion."

And as we all know, time is of the essence when you're making business decisions, Chairman. So I would suggest, again, as we're entering into a new era with a new Administration -- Phil Murphy's Administration; the new 217th session of the Legislature -- it would be really nice to have a point person like that. You know, sort of that gateway individual where, you know, a business person was frustrated in calling an agency and getting passed around to five or six different divisions, and not getting a clear answer.

I noticed one thing that the Lieutenant Governor always did was, she would pinpoint the agency and reach out to them, through her staff, and direct them to help that business. And I do believe at the end of the day we probably saved a lot of businesses, doing it that way. For all the work that you all do to help improve the bureaucracy, it would be really nice to see whoever that individual is, in the next cycle, in the next Administration-- Maybe they don't want to give out their cell phone number, but at least be accessible to our business community members; because they certainly need it. And they feel that way -- that they're being paid attention to. So that's one of my recommendations, Chairman.

SENATOR RICE: Quick question: Are any of your business members in the Chamber on the transition team of the Murphy Administration?

MR. EGENTON: Yes; we have several of our board members who are on the transition team. My past Chair, Amy Mansue; one of my current Board members, Gil Medina; Dennis Bone, formerly of Horizon, from Montclair. So they're in there; and both myself and Tom Bracken also have some avenues and we're providing some feedback as well.

SENATOR RICE: Okay; so what I would suggest to all the speakers -- I would suggest that the conversation we're having now -- I'm trying to take notes -- but would you kind of go back and find some time to send us some recommendations, based on the conversation we're having today, based on what you're saying, so that we can take a look at those collectively in the Legislature?

And when you mentioned the Red Tape Commission -- the Commission, when it was put together, the Commission asked the State departments to undertake a review of their administrative regulations -- right?--

MR. EGENTON: Yes.

SENATOR RICE: --to ensure that they comply with commonsense principles for rulemaking. Now, again, there were commonsense principles included. Are you aware of those?

MR. EGENTON: Yes.

SENATOR RICE: Okay; so without reading them all, the question to you -- and others who may be aware of them -- is, should the commonsense principles -- should those commonsense principles of regulations be enacted in statute, or just stay a part of the (indiscernible)?

MR. EGENTON: I think, for right now-- As I said, I really marveled and admired the Red Tape Review Commission. As I said, it was bipartisan. I actually testified a few times before the Commission on a couple of different regulatory proposals. And I listened to the other people who did testify.

I think keeping that, sort of, foundation of those principles, going forward, and keeping that Commission intact, I think is important. I

think they met, like, about four times a year. They went all over the state, and they brought in different individuals from different areas of the workforce to make suggestions and recommendations. You know, some of the regulatory things that we have on the books were dated; and these were individuals testifying before the Commission to see how they can improve some of the regulatory process.

So I think keeping that open conduit available to folks out there in the business community is important. I think we can always improve on it. And I often say, Chairman, I know we have both the Senate and Assembly Legislative Oversight Committee. And I would say, as we continue to see issues arise, if for some reason it's out of the purview of the Red Tape Review Commission, we can always bring in the Senate Legislative Oversight Committee to ask the agency, and then whoever is the disgruntled -- whether it's employers or what have you -- to come together to see if there can be some resolution. Because I often say, you pass the laws, and the Governor signs them. It doesn't always mean that the agencies interpret it the way they were supposed to in implementing them, going forward.

So I would say, maybe, the Senate Legislative Oversight Committee can take an enhanced role going forward.

SENATOR RICE: Okay.

Do you have any questions regarding any of this, Senator, so far? (no response)

Assemblyman?

ASSEMBLYMAN WIMBERLY: I'm good.

SENATOR RICE: Okay; so talk about the Grow program, because the Grow program -- someone had mentioned, in conversation, incentives; and that's what it's supposed to be. But I took a look at the audit that came back, and it seems like we're not -- Senator, you will appreciate this -- we're not paying attention. Because I know the Grow program requires some monitoring; but it also requires that businesses that are receiving -- the Senate has to provide proof that the business facility is providing net-positive economic benefits to the State.

So I guess the question is, doesn't that analysis protect the taxpayers of the State? Because if it does, then I look at the report, the report says we brought business into the state. But all the documents that were necessary to prove that they're providing incentives -- the number of jobs; I think some businesses didn't have any jobs. But that's statutory; they had to have some, so there are some violations there.

MR. EGENTON: Right.

SENATOR RICE: What do we have to do to tighten that up, etc.? Do we have to start to penalize State government departments for not doing their job? Because they're always going to defend it, you know. I read the defense of it too, from EDA, "Well, we did *ABC*, and here's the justification." But the statute is very clear.

So can you, kind of, talk about that a little bit?

MR. EGENTON: Yes; this is an interesting policy debate. And I know there are other organizations -- other think tank organizations out there that criticize our incentive programs. I would counter to say, it's not money that we're freely handing over, Chairman. As you know, there are

certain deliverables; and that's in the likes of jobs that have to be accounted for, for anybody who accepts those dollars through our incentive programs.

I would say, like in any program, you could always take a fresh look at how we can make it more accountable, to make sure that there's an understanding that there has to be a mechanism in place and the jobs are being created.

A lot of our employers recognize that; they wouldn't take that extra step if they didn't realize, "Okay, I'm taking money from the State. I better make sure that we're growing our business and providing the jobs."

A lot of them recognize that. And as I said in my beginning remarks, we felt very strongly about the incentive programs back when they were being ramped through ERG and Grow New Jersey, and then we did the Economic Opportunity Act, because we really felt that a lot of other states were competing. And not states that were far away, Chairman, like North and South Carolina or Florida. We're talking about the region -- you know, Pennsylvania, New York, Massachusetts has attracted a lot of our pharmaceutical companies away.

But we also looked-- Assemblywoman Schepisi was asking, "Are we looking at other states?" We are trying to live, and learn, and understand what are they doing to attract some of these businesses.

One of the things on the environmental side that we did was -- Massachusetts started this LSRP program -- Licensed Site Remediation Professional program. Without going into the weeds, it's sort of an expeditious fashion to help remediate some of the properties so we can move them along and develop those properties. We took that concept from Massachusetts, and we're now -- at least, with the help of our NJDEP --

expediting the turnover of some of those properties. Because obviously, that's another economic drain on some of our cities -- that if there's a property sitting idle there and nothing's happening to it, there's no win-win situation; there are no ratables coming in, there's no jobs being created.

So those are some of the, again, innovative ideas that we're trying to look at. What are other states doing that we can, sort of, even poach and pilfer from and bring here to New Jersey so we can improve our economic climate?

SENATOR RICE: Senator.

SENATOR BECK: Chairman, thank you.

There were three things that jumped out at me when I looked through the McKinsey Report. One was that New Jersey's cost of doing business is growing at so much faster of a rate than all the surrounding states; that it appears-- I mean, they started to conclude this, but then, maybe, just didn't have time to get all the data. But it seems that the young companies that start here don't stay.

So we see a lot of young companies; but then, they don't grow and mature into big corporations, potentially because the cost of doing business here is so high.

So I don't know if the Chamber has played any role in trying to break that down, because *cost of business* is a pretty broad net. I mean, are they talking insurance, are they talking taxes, or is it all of the above? But I thought that was one of the things that -- when I finished reading this.

And then, the second thing was the issue of venture capital; and that we rank so low in the amount of venture capital here, which seems crazy in light of the fact that we can literally see the shadow of the Empire

State Building next to us. I mean, venture capital lives in this region; how could New Jersey be doing worse than New York state; being so much worse -- dramatically worse than Massachusetts, although I understand they have a more robust research institution-based education system. And Rutgers is getting there, but isn't competing yet with Massachusetts on their level. But I thought that was interesting.

I'm going to ask you to make a comment on all these things.

And then, lastly, we have had -- and I'm sure the Chairman would agree -- an ongoing debate about the retention of business and the money we spend in incentives on retaining. Because it's easy to criticize it; but if Pennsylvania is offering some of our employers big incentives to move to Pennsylvania, and we say, "Well, we're not going to spend money on jobs we already have; that's ridiculous," and do nothing, and then they leave, I'm not sure that's a great strategy. But by the same token, when you look at the Grow Report the Chairman referenced, and it shows how much money we spent on retaining, you're like, "God, it just seems out of whack. This should all, really, be for new jobs."

But we have never been able to get our heads around it, because we're not sure that sitting back and saying, "We're not investing in retaining you, even though New York, and Pennsylvania, and Delaware, and Virginia are all coming to you and trying to steal you away, and we're not going to do anything" -- we're not sure that's right either.

So I don't know how far your members have gone down the path of analyzing that; but we continue to struggle with it. I know we all have.

And I thought it was interesting that McKinsey notes that one of the biggest reasons that small, young, fast-growing companies aren't accessing the incentives -- this is sort of off my last train of thought -- is because the process is too complicated.

So there are, maybe, four things -- not three -- that I threw out. (laughter) But we've been trying to figure out this issue. I know Senator Rice has been a leader on the issue of economic development for many years. And I am just curious if you and your membership are sort of thinking through some of this, because I'm not sure that we have all the answers here.

MR. EGENTON: Thank you.

Through the Chair; I mean, Senator, you raised-- We're challenged as well. I mean, everything you mentioned is-- I just sort of had a flashback of, I remember when Governor Corzine -- I think, at that time Governor Rendell was literally picking up the phone and calling my members, and saying, "Come on over here to Pennsylvania. We'll get you a permit like that (snaps fingers). We'll get you--"

And I remember going to then-Governor Corzine saying, "We have to do something about that. I mean, he's not delegating or relegating that to somebody on his staff. He's doing it himself -- he's picking up the phone." I mean, that should send out alarms bells and whistles.

And yes, I think we need to probably reevaluate all of this. I stick to my principle about the incentives and when we did them. We were big supporters of the Economic Opportunity Act and trying to attract businesses here to stay here. But we also recognize -- and I know my President, Tom Bracken, has been pretty vocal about it -- we have to be

more strategic and smarter on how we do it. I know he mentioned the Amazon initiative right now. And trust me, we'd love to have Amazon here. But I know in our press statement, Tom Bracken said that if we don't get Amazon -- and I guess we put, what, \$5 billion on the table? -- we should take that \$5 billion and distribute it to middle-market small business. Can you imagine how they would grow if they got that kind of incentive money?

So we recognize that there's attention, sometimes, focused on certain industry sectors, certain sizes of business. But how do we promote everybody? And then to your point, Senator, how do we not lose -- how do we retain those folks in staying here? I often say, always check in with them. I try to check in -- and it's hard because we have a lot of members -- but to do the, "Hey, are you happy? Everything going okay? Do you need anything?" I mean, when you ignore folks like that, they will go away.

I mean, Tom and our Board -- they talk about venture capital as well. And we can do more. I think, from what I sometimes hear, there's a little hesitancy because of those uncertainties. You always hear the buzzwords when I testify, or Mike, or my colleagues from BIA testify -- we need predictability and certainty to go to our members and tell them, "We got this. Here's what we're doing." We gave them that predictability and certainty when we did the tax reform package on the estate tax. I would implore the members of this Committee and the Legislature -- we're starting to get that word out there on the estate tax; we got it, we changed it. You can die here in New Jersey, you don't have to leave. You don't have to do the six months and a day.

But let's not create fear, or pandemonium, and uncertainty if folks say, "Well, what happens in the new Administration? Are we going to repeal the estate tax?" If that message percolates out of New Jersey, we're in a lot of trouble. Nobody is going to want to come here and take our word for it. We did good public policy; let's stay the course, let's make sure that we keep that intact.

We can look at other ways to save money, to resolve -- whether it's the pension issue, what have you. As Mike and I always say, everybody should have a seat at the table; let's figure it out. That's what our trade associations do. A lot of times were not looking -- putting the hand out. We're trying to say, "How can we come up with ideas to improve the State and the economy, and to keep businesses here, retain and attract them?"

But we also have to make sure that we don't tinker around with some of the good things that we did. And I would tell you, for me, both personally and professionally, we now have Ralph Thomas at the CPA Society working very diligently with his members to push that word out there -- that New Jersey is a good place. You don't have to leave; we got this estate tax issue taken care of.

So that's one of the things, through the Chair, that I would implore -- that we don't tinker around with that.

Thank you, Chairman; sorry I talked too long.

MR. WALLACE: Let me add, Chairman -- we hear often from our manufacturers; manufacturers spoke directly to the Manufacturing Committee last week that they are being solicited every day to move to other parts of the country.

In regards to the Grow program -- we heard from manufacturers that many of them don't qualify either because of the size of their company or the location of their company not being in one of those growth cells.

So yes, I do think it's time to reassess that Grow program. I believe it does sunset pretty soon -- within two or three years. So yes, it is time to-- With a new Administration coming in, a new Legislature, we have time to assess all of these things to improve them, going forward.

SENATOR RICE: A couple more questions, and then I'm going to let you all go and get a new crew up.

But you're right; the Manufacturing Caucus that Senate President Sweeney put together I think is very, very important. And hopefully it carries this to a (indiscernible). I've always argued that we can bring manufacturing back to this state because of our infrastructure and the workforce itself. And as the Assemblyman said, a lot of this stuff does not require college degrees; it requires certification and licensure. And I think there are some things we're looking at, at the Federal level -- I mean my network, not the government -- that we did resolutions trying to get some of the TAG money that is being used -- to kind of share it to do some things at the colleges on those other areas, because we think that could be done.

And so that's important, because when you read the McKinsey Report they do talk about tech industries and things like that. And that's important, but it's what skills -- what they need. So if they're going to manufacture things -- okay? -- while they're doing research, then it needs to be manufactured here. So there's this trickle-down piece that goes to the manufacturing industry.

It was interesting. I went to NJIT, to the new center, and they were showing me how this space works. And they were doing -- the equipment was-- They made a sign, an NJIT sign, just to show me how it works. And I'm sitting there; while they're talking about the sign and how wonderful it looks, I'm sitting there thinking-- I'm watching this thing, this little die go (indicates)-- I said, "Somebody has to fix that; it's going to break." (laughter) Really. And that's the kind of thought process we have to put in to growing the economy -- is that, yes, it's nice to have the folks, the geeky guys, who can put this stuff together. But then we're going to always have -- I don't care if it's one of those things they fly in the sky these days -- everything has to be fixed. And that's where we need to look.

The other couple of issues I want to raise -- and then I'm going to let you go -- you mentioned incubators and you mentioned angel -- angel investment credits, okay? For the record, the angel investment credits -- that really goes to investors who invest in our state. We call them *angels* because they invest, okay? And they get credits against corporations' business and gross income -- cash investments. But when you raised that question, I want to ask you -- the McKinsey Report made little or no mention to the angel investment tax credit program or some other funds we have -- we have quite a few funds, and incubators, and accelerators, etc. -- or to the Edison Fund, which -- in regard to its recommendation, because some angel investments and venture capital-- They didn't make any comments to that stuff. So is there a reason you think that was?

Either one.

MR. WALLACE: Chairman, the short answer is, I don't know. However, I believe McKinsey is conducting another, or a deeper dive

research or a follow-up to their initial research paper. Maybe this is something that we could bring to their attention to include -- that they take a look at.

MR. EGENTON: Chairman, I would also suggest -- sometimes people are unaware of what's available. And again, just reflecting back on my years of service here in Trenton, I remember I had asked the DEP-- During a certain cycle the DEP would go into certain cities, "Surprise, we're here," and do spot inspections and catch people off-guard and fine them penalties.

So at that time, Lisa Jackson was at DEP, before she went to the EPA. And I had asked the Commissioner, I said, "Would you consider doing sort of a -- and work with the local regional chambers in those cities that you're looking at, to go in and educate and inform the small business owner what they have to do to be in compliance? You know, instead of the surprise command and control, try to educate and inform people what they need to do to be in compliance." And they agreed, and it worked out tremendously. Because a lot of times, people didn't know. You would think it would trickle down, especially if they have a business operation. Well, what are they trying to do during the day? Run their business.

So we said, "Look, these are folks who are trying to do the right thing and make a living. Let's not just assume that, you know, you're going to go in there and hit them up right away. Let's give them-- Maybe they need some guidance and training to be in compliance."

And the reason I bring that up is, maybe we can do the same thing with angel investors -- whatever money that's out there. Maybe we have little, you know, regional visits, forums, to let people know. And that

probably has to come from the State. We did a little bit of that with the Lieutenant Governor. We went to different areas of the state and we brought some of the agencies with us, and each one had a five-minute presentation about, not, “We’re from Trenton, and we’re here to help;” it was more like, “Here are the services that we provide.” And a lot of people in the audience, from that local regional Chamber, were like, “Well, I didn’t know that.” They were very complimentary about bringing the road show out there. So that’s, maybe, another recommendation that we could do, as we have these great programs available. Honestly, you know, we try to push that information out; but how many e-mails are you going to read during the day? Sometimes it works better if you have that live, one-on-one with folks and say, “Here’s what EDA, or Commerce, or DEP, or DOT has available; and here are some contacts for you to get in touch to see if you can apply for that and you can take advantage of those services.”

SENATOR RICE: Well, that was going to be my next question; and I’ll raise it anyway, because Mike might want to add to it, and there may be something you want to add.

Should the Legislature consider improvements to the angel investment tax credit and EDA make changes in the Edison Fund, what type of improvements would you all consider, or something that you feel would attract more angel investments? Because that becomes very important.

And I think you made another valid point. The City of Newark, years ago, had one of the best Chambers of Commerce around. And they were abolished, given everybody’s politics. Nobody wanted to be in Newark, and they have this regional thing, which ignores Newark,

basically; and everything is being pushed out to the suburban areas in Roseland and stuff like that.

But now, everybody wants to come back; you know, law firms, etc. They want to run the people out, you know? And so, we get that too; gentrification, right?

But cities like Newark and Paterson, Perth Amboy, Trenton -- there is still a lot of industry there. But there's no Chamber of Commerce that's connecting with these small industries. Like, Benjamin Moore paint is still in Newark.

MR. EGENTON: Right.

SENATOR RICE: No one hears about Benjamin Moore paints. I don't think most people know Benjamin Moore is in Newark, okay? But what do you do, because that's really-- It seems to me that the McKinsey Report is alluding to some of those types of business, too, in terms of growth. And a lot of those industries have equipment and stuff they can retrofit to meet a new need or demand. But how do we get information to them? I heard you say, you know, we should go out there. I think we should on a regular basis. But I also think that the Chamber of Commerce, and the African American Chamber of Commerce, and the Latino Chamber of Commerce can do more to have those conversations too. Maybe the State needs to bring all the Chambers of Commerce up to what we have and what's going to be changed; and in some kind of way find a way, like I said, without doing e-mails--

MR. EGENTON: Right.

SENATOR RICE: --to make folks available. Urban cities have an industrial complex; and I can tell you a lot of these folks in Nutley and

places like that -- the old, traditional, urban communities -- that's the manufacturing, okay? They don't know what kind of help they can get. They hear about tax credits, and they figure, "Well, that's not going to really help me," so they don't think about anything else. But meanwhile, they're going down, down, down and we don't know what to tell them, etc.

So can you take another look at that and come up with some strategy that we can actually legislate, if we have to, and say we have to do these kinds of things? And if that requires additional resources, it seems to me that it will pay for itself if done the right way, etc., okay?

So if you could do that, I'd appreciate it.

And the final thing I want to raise is the business incubation. And we can go down the whole list of incubators that we have, but the question I want to raise is: While the McKinsey Report mentions the low number of business incubators in New Jersey, is a more important issue for the development of start-up companies in New Jersey the number of companies located in these incubators, and the amount and type of assistance given to them? Is that a more important question than the number of incubators we have?

MR. WALLACE: I think they go hand in hand. I don't think it's an either-or type of issue. I think the number -- as we grow our incubators, the number of employment opportunities for these new employers are going to rise as well.

SENATOR RICE: Okay. Well, do you believe that -- should New Jersey's existing and proposed business incubators receive State funding to expand a number of business incubators and existing programs?

MR. EGENTON: You know, Chairman, respectfully, I think NJIT, Stevens -- those facilities, probably those representatives -- probably you should be following up with them to see, again, what we need to do to enhance that. Michael and I wouldn't know where they are regarding staffing, and resources, and outreach, and the like, Chairman. I would probably say, you know, those are the places that come to mind to me when you talk about incubators; and there are some, I guess, down in South Jersey with some of the research parks down there.

I would say that might be another go-round -- those folks -- to bring before -- whether this Committee or, you know, another legislative Committee that discusses where they're at with incubators.

SENATOR RICE: Okay; because I know we have the Commercialization Center for Innovative Technologies that's located in North Brunswick; the Enterprise Development Center at New Jersey Institute of Technology; Institute for Life Science Entrepreneurship -- that's over at Kean College in Union; the Newark Venture Partners, I think that's over at NJIT. No, that's over at Rutgers, I believe. (Indiscernible); the Picatinny Innovation Center; and we have the Princeton University's Innovation Center, which is located off their campus; and the South Jersey Technology Park -- I think that's the one you were talking about. Is that correct?

MR. EGENTON: Yes, that was the one I was talking about; right.

SENATOR RICE: Okay.

So with that being said, I want to thank you for taking the time to spend with us to answer questions and give your perspective. And I want

to ask that you send us recommendations, based on this conversation, as soon as you can. Because there are those of us in the Legislature who would like to, after January 16, really go full-speed ahead on trying to fix this issue of job opportunities and economic justice for people. And we know they go hand-in-hand; we need the jobs, but we also need people. And we know that when they talk about the workforce heretofore, whether we like it or not the majority of the workforce is going to be women and minorities. It has nothing to do with politics; it has to do with sex, back in those days when people were making babies and stuff. So we're there now, okay? So we can't get around it.

And I get tired of hearing, as I travel up and down this state talking to corporate communities, and unions too, who say, "Well, we have the jobs; and the reason we go outside the state is because we have the bodies here -- it's not like we don't have the bodies -- but we don't have the trained worker." And so that has to be a heavy focus on training.

And I think the final thing is the mentoring and apprenticeship -- what states are doing. They are saying, "Okay, here's the deal. I'm going to give you a job." And that's what we need corporations to tell us -- we are going to give you a job while we train you too, okay? -- so we can have the hands-on stuff in terms of development.

Do any of my members -- any other members have any questions; anything you want to say? (no response)

Okay; once again, thank you very much.

MR. EGENTON: Thank you, Chairman.

MR. WALLACE: Thank you.

SENATOR RICE: Next we're going to call up -- and I'm going to bring them up together because they work hand-in-hand. And one is a policy person, and one is a business person looking for new policies. So I'm going to bring up, if I can, Jim Johnson; and also from the African American Chamber of Commerce, John Harmon, the Executive Director.

So what we're going to do is-- John, I was going to bring you up with the other two business trade organizations. You pretty much heard the conversation; you pretty much heard the questions. Give us the African-American Chamber of Commerce perspective -- which is really a black perspective, to some degree, if you will -- for the record. Because oftentimes, the problems we have in government throughout the country is that we put perspectives on the table, but it is not inclusive. So when we talk about diversity of human resources and people, we also have to talk about diversity of perspectives, and figure out how that comes together too.

So give the perspective.

**J O H N E. H A R M O N Sr.:** Well, thank you, Mr. Chairman and members of the Committee, for this opportunity today.

I decided to kind of put my comments on paper, so I can be a little more focused and not be all over the place in some of the areas that my colleagues discussed. I've kind of covered some of that here, and then I'll be glad to take some questions.

I'll try to get through this as quickly as possible.

SENATOR RICE: State your name for the record.

MR. HARMON: John Harmon; I'm Founder, President, and CEO of the African American Chamber of Commerce of New Jersey.

And I also brought Brittany Quintana here, from my office. And she has some information-- And Brittany, if you could pass it out to the Committee folks so that they can kind of get a little overview of the organization. At your leisure, you can kind of read and see some of the things we've done.

But many of you in this room have provided support, guidance, and advocacy on behalf of the mission of the African American Chamber of Commerce of New Jersey; and as a result, we have continued to grow by leveraging our relationships to the resources, opportunities, and information to position African American youth, adults, and businesses for equitable participation in New Jersey's economy.

Like many of you in this room, I too -- I read the McKinsey Report, much of which was shared. I and my colleagues and I discuss it all the time. The report cited a number of areas of underperformance in New Jersey's economy due to the following, in my opinion.

You talk about regulation, duplication of services, cost, overspending on incentives without accountability or sanctions, and a lack of alignment of resources to growth sectors and skills development opportunities, just to name a few.

However, what the report did not address was New Jersey's diversity and its potential value proposition if utilized as a means to strengthen the state's economy.

More specifically, African Americans have the highest level of poverty in the state; the highest level of unemployment; highest dropout rate in the state; and lowest capacity for African American businesses. According to the U.S. economic census report a few years back, there are

probably north of 66,000 African American businesses in New Jersey, of which only 7 percent have employees. And we're going to get into some of the policy issues that we support here: the Economic Opportunity Act, which targeted -- primarily it's Camden, Trenton, Newark, and Paterson, as kind of the prime targets to invest these State resources.

So if hiring and capacity-building strategies were aligned with incentives, and measured by metrics and sanctions for non-compliance, this would provide a greater assurance that New Jersey would have the potential to realize a greater return on its investment. More specifically, we thought this was a great use of resources on one hand; but on the other hand, there was no accountability to make sure that jobs were created, particularly in these communities that I forenamed. And I think that is not a good use of resources. If you're going into communities that have endured, if you will, a number of years of economic hardship, and there's no focused effort to get them in the supply chain, then the same old players are going to continue to grow and continue to prosper.

So I think if we are to continue this type of programming or incentivization, we should make sure that there is some effective monitoring, aggressive outreach, and, in some instances, some shotgun marriages created between larger businesses and small businesses.

In regards to workforce training: Recently we saw the State increase dollars for workforce training by \$3 million, clearly in regards to the McKinsey Report. This is a step in the right direction. However, we have not changed or added more players that have stewardship over the program funds. And so, specifically, the African American Chamber of

Commerce, through the work of Senator Rice and Senator Cunningham, was added to the college consortium players, if you will, for these resources.

However, we are just there in name only. We don't get any money for marketing. We have a cohort of trainers who are part of our organization who are well-credentialed and experienced, but we don't have money to provide any training. And so if this model has been working and they continue to get resources, why is that the African American communities' numbers have not changed?

So what I'm suggesting is, if the African American Chamber of Commerce is a part of this collaboration, we have trainers; we have the wherewithal to add value to the State's investment. We should be a part of -- some of the allocation of resources should be earmarked to our organizations and/or other organizations whose interests or focus is on the underserved communities.

I want to cite a specific example. A few years back, we brought an African American firm, that is an employer of several hundred individuals here in the state, to the table, to a community college, with the hope that, one, they would have access to the training resources; but moreover, that we would be able to participate to some degree -- outreach, or some of our trainers would be able to participate.

This community college thanked us for the introduction, and went on to provide the training for two years and didn't even send us a Christmas card.

So this is the disconnection. And I think some of the questions that you put forth earlier kind of alluded to this disconnection, as we heard the example up in Paterson and other places, as well as in Newark.

Also, the McKinsey Report did not cite the benefits of having diversity goals as a strategy to improve innovation, cost savings, operational efficiencies, and a means to improve worker skill levels and small business capacity. Our neighboring state New York has not only had goals in place, starting back with Governor Patterson, but they've increased them from 20 to 30 percent. I would assume that they did not increase them because this was a bad policy, but that this was something that's getting at really some systemic hardship in the diverse sectors of our society. In New York, the biggest market of African American businesses in the country, I think it's a step in the right direction.

The Port Authority of New York and New Jersey spends approximately \$4 billion annually on infrastructure projects, and a few projects are currently in the pipeline: Terminal A at Newark Airport is earmarked at a \$2.2 billion expansion. And we talked about the proposed Gateway project -- \$25 billion. Although they have Disadvantaged Business goals for the Federal resources that come in, there is no resource allocation, again, to monitor the inclusion; and/or no sanctions for bad behavior or noncompliance; or coalescence of minority-owned businesses to form relationships with larger firms to ensure increased participation, and potentially provide greater economic impact on local communities.

We are in conversations with the Port Authority; but we would definitely appreciate if this body could chime in on this discussion.

The cost of doing business -- I think Senator Beck talked about the cost of business in New Jersey was another area that was cited. And I would attribute a significant amount of the cost stems from Project Labor Agreements which give unions, in my view, a preference in public

contracting. When Governor McGreevey introduced Project Labor Agreements as his first Executive Order, he wanted it to apply to all construction, notwithstanding the cost of the project. I, along with the New Jersey BIA, ABC, the Regional Alliance, and a few others were able to negotiate a \$5 million threshold which would allow smaller firms, with limited capacity, to compete for these opportunities. The introduction of PLAs was on the heels of the proposed multi-billion dollar school construction program; and we all know that that did not change the economic standing of minority communities, given that 31 Abbott Districts were a part of that. Still, there was no connection to grow businesses.

So this change enabled our Chamber to introduce an African American firm here in Trenton that was awarded a \$5 million contract. And this is hurtful to even articulate, but in the history of the City of Trenton, that was the largest public contract awarded to an African American firm, notwithstanding that Trenton's majority population, since I've been here as a resident, this is my birthplace -- African Americans have always been in the majority; and even with minority leadership, it has not really had any trickle down.

So this is the last point I want to make, because, as the President of the African American Chamber of Commerce, we want to be an honest broker; we want to be a bridge between the Republicans, Democrats, government, and the corporate sector, in order to foster relationships that get our folks in the State's economy. So in terms of urban cities in New Jersey -- where the population is majority African American or other people of color; and the leadership, in most cases, who have the oversight of governance, oversight of the budgets too, tend to be minority -- we're still

seeing very little contract opportunities for minority women in these communities as well. Specifically, it goes back, in my view, to transparency, accountability, and oversight procurement. In many instances, it's non-existent.

So these improvements, I think, could occur, or we could see some positive change if we put a few safeguards in place. Some best practices that are in place now in New Jersey -- Essex County and Hudson County just implemented set-aside programs as a step to improve contracting for minorities and women. And I ask that the State of New Jersey consider moving aggressively to establish the same, setting up a disparity study as immediately as possible; putting forth goals -- not only in goods and services, but in professional services as well. We have no African American firms managing pension funds, when we have two of the best African American fund management companies in the country that are members of the Chamber.

So we want to be a resource to you in order to help do things better in the state. We believe by providing -- and I might be self-serving here a bit -- but we want to inject ourselves in the conversation and relationship, as one providing solutions to mitigate some of the systemic challenges that I just alluded to. And so what I mean specifically -- allocating some funds. I talked about training; educational programs; monitoring; business development; capacity-building strategies on publicly funded contracts. I believe that the African American Chamber of Commerce is up to the task, and we would be open to having those discussions -- how we can get in the food chain for the resources, to help do

some of this work that needs to be done to level the playing field for people of color in this state.

So I thank you for your indulgence. And if you have any questions, I'd be glad to respond to them at this time.

SENATOR RICE: I just want to make note that *Growing New Jersey's Economy* -- and I'll give you a copy of this-- What happened is that part of our network in the African American community, that has been arguing the case of women and minorities for a number of years, came together and decided to put together a document to deal with some of the issues being raised today. I think it's important because -- to document and really reflect on -- and I was on a conference call -- some of the things that the Legislative Black Caucus has tried to do here in New Jersey. So there's some legislation in place that our colleagues -- all of us -- passed, dealing with women and minority issues. But unfortunately, the Christie Administration never enforced it. In fact, the disparity office, and the women's office, and business, etc. -- they just abolished it. What they couldn't do is take away the money, so they just put it someplace else. So there's no oversight on what's taking place with jobs and opportunities.

But a lot of the legislation I'm talking about really came from our work with the National Black Caucus and the State Legislators -- our networking. And so we bounced off what Dave Dinkins and Governor Paterson did in New York in the legislature. And it's interesting, when you look at New Jersey you're looking at, maybe, 2.3 percent, 3 percent in terms of involvement. And yet, women and minority businesses and opportunities in New York are up at the level of 30 percent.

And so we've been doing things wrong-- We've been doing things right, I believe, Senator, Assemblyman, from the legislative side. We've been doing things poorly from the Administration side because the Administration doesn't take what we do-- And it's not just this Administration; we have to assign some of the problems to Jon Corzine, the Governor, when he said he knew how to get folks to be bond managers. He came from Wall Street, but couldn't identify a black or female bond manager. So he went to Goldman Sachs with these same people, okay?

So we told him we could do it for him. But it just doesn't happen.

And so one of the things we need to be looking at, as a Committee, is to make sure that the kinds of things that make sense, and the kinds of things that are already in law -- that the new Administration enforces those things. I've talked to the Senate President, on more than one occasion, that the time comes when we have to, sometimes, challenge the Administration in court. I mean, this is what you have to do. The law is the law; our job is to legislate, and their job is to oversee and implement.

And so I think with the new Administration -- working with both houses of the Legislature, and our business community, as well as our union organizations and other groups -- I think we'll be starting to see some compromises and, hopefully, some hope. But we'll have to wait until after January 16.

So the information you have -- you've provided in writing to us?

MR. HARMON: Yes.

SENATOR RICE: Okay; because I want to take a look at some of the stuff you're saying. Also, I need to have a sidebar conversation with you to find out these colleges -- where the money is going to the colleges for training. And if the dollars are still going, then I want to find out why the African American Chamber of Commerce, the Latino Chamber of Commerce -- who is also on that legislation -- are not participating. You know, fear is fear; and we don't say things -- at least, I don't say things, as an African American, just to be saying them. We pass laws and want them enforced.

So that's something we have to do, because I don't really rely on the Oversight Committee or the other Committees. I mean, the Oversight should be looking at some of these things too; and we don't have to. I rely on this Committee to get back to the Senate President and the Speaker and say, "Here's what we found; here's what those other Committees should be doing," and hold those Chairs accountable

Do you have any questions for John?

ASSEMBLYMAN WIMBERLY: Thank you, Mr. Harmon.

You covered a lot of the stuff -- the questions I had already. In particular, I don't know if -- this briefly, if you could just -- your opinion on the apprenticeship programs and how we could get, obviously, more minorities and women involved.

MR. HARMON: I think apprenticeship programs -- most of the time you talk to labor unions, that's the first thing they say: "Well, we have an apprenticeship program." In terms of accessing those programs-- And oftentimes, they are occurring on one hand, and the project is being

constructed on the other hand. So the project gets completed; and then it's like building a bridge to nowhere. There's no connection.

We get-- You know, I'll be glad to share with this Committee -- just last week, I received a registered letter from a construction firm that had been awarded a contract. And so once I received the letter, they can check off that they sent the information to me, all right? But when we call them and say, "Hey, we have businesses or we have individuals for these jobs," then there are no jobs available. It's a bait and switch. So without any monitoring and accountability, it's a joke.

And so we're seeing it -- the Department of Transportation letting contracts regularly. And you follow up with the construction companies that are union firms, and then there are no jobs, no contract opportunities. Or we're seeing that -- and I know I'm expanding on your question a little bit -- we're seeing, as I mentioned, in contract language in the public sector, we're seeing Project Labor Agreements being enforced on projects *under* \$5 million. Again, the law says, it's *above* \$5 million. So the long story short, unions -- construction unions; I want to make a clear separation -- construction unions are not really embracing diversity in a way that's inclusive or upwardly mobile by way of an apprenticeship program.

ASSEMBLYMAN WIMBERLY: That happens, Mr. Harmon.

So what sectors have the best prospects for stable apprenticeship programs?

MR. HARMON: The best prospects?

ASSEMBLYMAN WIMBERLY: Yes.

MR. HARMON: I would say that, one, it would start with having a conversation with some of these players to find out what

opportunities exist, because there are a number of men and women who are seeking employment. But they're not getting the information or clearly defining the pathways or the access points. So there's just not a connection, with the information, in a commitment to bring people in and move it forward. That's kind of my short answer, because I don't-- They're not responding enough to our organization to where I can give a credible, substantive response on the best way to get this done; because the engagement's not there.

ASSEMBLYMAN WIMBERLY: Thank you.

SENATOR RICE: So one of the things that we need to do is -- we can have a conversation to determine what we should be doing. For example, when we talk about the enforcement of the laws, Public Law 335, I believe it is, and 313 -- which came from Executive Order 151 -- had in place the monitoring aspect on the construction side, that's supposed to occur, with people in the Treasurer's Office to monitor and work with the Federal government for violations and everything else.

What the Christie Administration did, effectively -- they couldn't change the law. So what they did was -- in both the human services side of government, as well as the construction side -- they started to get rid of the workers or change titles. And then they sent out slips and wanted companies to self-assess themselves; and that was the way of abolishing departments. And every time we put a new law in to try to recreate it, the Governor either conditionally vetoed it -- that's to patronize us -- and said, "Well, wait until after the disparity study," which has nothing to do with that.

And so we're going to have to have that conversation, from the Committee's perspective, with Senate President Sweeney, and the Speaker, and the Governor, and with our networks -- and maybe have a meeting of individuals like yourself, organizations like yours, and others -- and say, "Look, let's have an honest meeting; let's discuss the issues as we see them. And let's figure out how we can work together on this so that we don't run into Civil Rights issues." Because some of the violations are really Civil Rights issues; they just have not been challenged in court yet.

And the reason that the Legislative Black Caucus members are working closely with the Association of Black Women Lawyers in the Garden State is because they recognize that, as African Americans -- at least, from our perspective; and I suspect the women lawyers are the same way, whether they are white, black, etc.; as well as Latino lawyers, Asian lawyers -- we have a responsibility to help State government help people, by litigating if we have to.

So if the State doesn't want to bring an action against these violations, we're hoping that our legal community of folks who benefits from helping people in doing this stuff, would bring these actions.

We're going to have to have a more radical approach, in-house in the Legislature. And that would be my recommendation from the Economic Justice and Equal Employment Opportunity, with the Administration, if we get what we got in the past. I believe this Administration would be more amenable to working with the Legislature to get to these goals that we're trying to accomplish; it's long overdue. And the reason I believe that is because it's the Senate President and the present Speaker who helped us shepherd the legislation through. So if you helped

us shepherd this through, it means that you care about it and, hopefully, you're not patronizing us.

And so we'll have that conversation, as well, once we get reorganized -- back in. And that's why we're holding this meeting today, because we want to set the stage publicly before the new Administration comes in, the new Legislature, so they will know exactly where we're coming from -- the Economic Justice and Equal Employment Opportunity Committee -- so that we can hit the ground running on these issues and growing New Jersey.

So once again-- And also, what I'll do, John, I'm going to put you with -- if you don't know -- people who work on this, etc. And they are here today, and I want you to meet them before; because they should become a part of your network, in terms of the stuff we have to do with this Committee, when we call upon organizations like yours to share information, or best practices, and things like that, okay?

MR. HARMON: Yes.

SENATOR RICE: All right.

Any questions? (no response)

Okay, thank you very much.

Just stay there.

Next we have with us-- And it wasn't the intention to put you last; but I'm glad you're last, because I really need your intellect, your more broader view working with the Clinton Administration, as to what you have seen and the kinds of things you have done; your perspective on the McKinsey Report; and some of the things that you have been doing with the Brennan Center, and Pew, and all these other policy groups.

A lot of folks know you, Jim Johnson, as the candidate for Governor; but they don't know Jim Johnson, the policy person. And I'm being sincere about that -- how great you are with that. And I know we are going to value whatever you have to say to us, okay?

So can you give us a presentation?

**JIM JOHNSON, Esq.:** Thank you, Senator Rice.

And good morning, Assemblyman Wimberly.

To the members of the Committee, my name is Jim Johnson; and as the Senator referred to -- I think over generously -- I've worn a number of hats. I was the Chair of the Brennan Center for Justice; served as Undersecretary of the United States Department of the Treasury; and was a Board Member of the Institute for Social Justice.

I am here, however, in my individual capacity.

And I also -- I have prepared a fairly lengthy written statement, which I will summarize, because I believe that when you start at the end, it's good to start close to the end. (laughter) So I'm going to make this fairly high-level, and then make myself available to you for questions.

As the Senator mentioned, I've been asked to address issues about the economic growth of New Jersey as analyzed in the report issued by McKinsey & Company. And I'm happy to highlight key issues in the report, in addition to those that were highlighted during the -- from the witnesses earlier today, including by John Harmon, just immediately to my right.

As an initial matter, I have been briefed many times by McKinsey about the report; but I am not speaking for McKinsey. I believe

that it's a strong report, but it also has certain limitations; and I would highlight some of those.

I do believe that the report offers an important lens on the issues facing the state. It identifies industries where New Jersey has a comparative advantage for growth, and it notes where we have lagged behind other states.

That said, the report does not look -- and I don't think it's within its scope to look at some of the deeper drivers of inequality in this state; and economic inequality is one of the state's tremendous burdens. We have huge resources; we have among the most successful companies and people in this state, in this nation. But we also have one of the highest levels of economic disparity within the state. And the report doesn't purport to focus on that; instead, it focuses -- and I think it's right to focus -- on growth. But there are other reports and other entities that have issued reports that I think are relevant to the decisions that this Committee will make, or lines of inquiry it will establish.

Third, I think that this report, in this moment, needs to be assessed in light of not only the State's fiscal challenges, but budgetary challenges that may come as a result of activity that's currently underway in Washington -- that the proposed bill may have a tremendous effect on the State's flexibility for addressing some of these issues. And so I will move, at the end of my testimony, to talk about at least one potential avenue to raise funds to provide necessary services, and that's social impact bonds. I know that members of the Committee are aware of that; and I will only touch upon them briefly in my testimony.

The details of the tax cuts and jobs act slated for a vote this week are still being clarified to the public. One thing that is very clear, for the purposes of this hearing, is that New Jersey will be under even greater budgetary pressure because the bill will hit New Jersey taxpayers very hard in that, among other things, it caps the deductibility of local property taxes, and State and local income taxes at \$10,000. We are a very high-taxed state. And like other high-tax states, New York and California, the net effect of this bill, if it goes through as it was configured over the weekend, could be devastating.

There could not be a more important time for this Committee to be engaged on these issues, because there will likely be very hard choices ahead and there will be calls for innovative problem solving. And I think we have the capacity to do that.

It's one thing to say that New Jersey, economically, should be an innovation state; but if the Legislature could actually model innovative approaches to problem solving, we will be one, two, three steps down the line than where we are now. Governor-elect Murphy has clearly signaled that he wants to reverse the trend and make this a state where we are innovative.

From the outset, the McKinsey Report notes that the Great Recession had a tremendous negative impact on New Jersey. Our Gross Domestic Product fell by 4.9 percent, and unemployment soared. What the report doesn't highlight, but I think is very important, is that our foreclosure rate became among the worst in the United States. Writing last summer, looking overall, McKinsey found that recovery has been weaker in New Jersey than across the nation; that the United States GDP advanced

1.4 percent per year, from 2005 to 2015; but New Jersey's growth was just 0.3 percent. Employment and median income were also flat. These are hard times for the citizens of the state.

McKinsey identified four factors that could be addressed to drive economic dynamism and increase growth; and you have heard several of your witnesses discuss those four factors. I won't go through them here.

What's important, in addition to what's already been discussed, is that the McKinsey Report talks about the need for collaboration between and among the State government, the business sector, and the not-for-profit sector. Most significantly, the McKinsey team highlighted strategies that other states in our region and across the nation have followed to drive change. I believe that this report provides a good basis to learn about them, to see what would work for us, and to implement a growth plan for New Jersey that's about shared prosperity. Among other things, the McKinsey report highlights Tennessee, Maryland, and Virginia as states where sound, disciplined investments -- both in people and in young businesses -- have made a tremendous difference in growth and in opportunity through workforce development, and -- we discussed that here -- through the creation of entrepreneurship centers around the state. We have some in New Jersey, -- incubators in New Jersey; but nothing like those that exist in the states within our region or states around the country.

And that is one-- There was some discussion earlier about whether or not that is the just the raw number. Well, I think the raw number makes a difference because there's a bandwidth to how many incubators, how many young businesses you can actually provide useful mentorship to. The lower number you have, the fewer businesses that you

have. And it's related, I believe, to the outflow -- the decision of millennials to leave. Because if you have to stand in line in New Jersey to get help with your idea, and there's an express lane in New York, or in Pennsylvania, or in Maryland, or somewhere else, that's where you're going to go. We want them here because they're smart; but if we put them in-- They're smart in assessing where they are going to be able to get to where they want to go.

And we all know -- since most of us are now well beyond millennial age -- patience is not a key attribute of the young. (laughter) And so we have to turn that around.

It is important to note, I believe, that the McKinsey Report is focused on growth, but it does not address all of the aspects of New Jersey's economic ills -- as I said before, particularly on those that touch inequality.

For example, the report rightly points out that New Jersey's transit infrastructure is in desperate need of repair, and that imposes a cost on commuters and businesses. The report notes, with approval, that the Transportation Trust Fund is now funded through the gas tax. That gas tax has a heavier impact on working families; we know that. That impact may be offset by the fact that New Jersey commuters spend, on average, \$600 a year on their cars as a result of infrastructure-caused repairs. And we need to fix the infrastructure and at least drive those costs down. But as we're developing an over-arching economic picture, we'd also need to be mindful of the fact that working families -- that the amount of that gas tax has an impact on working families. And in thinking through -- and I think the Chamber was right to raise the issue of having a sustainable basis for funding our infrastructure repairs -- I believe we also need to be mindful of this: That as a result of Federal law, fuel consumption is going to go down.

And it may be that if we simply rely on gas tax to fund our infrastructure projects, we will either have to raise the tax or we will again be in a shortfall situation, simply because we're going to be, we hope to be, using less fuel. I think it's an important consideration to be held to mind, going forward.

The other thing about transit -- again, focusing on this Committee's lens on it -- is that it's not just an issue of building bridges or heavy rail between cities, but intra-urban transit is very important. Studies have shown that those regional areas, those metropolitan areas that have high quality mass transit -- and we're talking buses and light rail -- are those areas where people are much more likely to have true economic opportunity and move from, say, a lower quintile economically to a much higher level of economic achievement and economic opportunity. And it stands to reason, if you can't get to your job, you can't keep your job. And if you don't have reliable transportation -- you're relying, perhaps, on an older car, that, given our roadways, might get damaged -- then again, you're put in a very hard position to maintain your economic standing.

So as the State goes forward, I think it will be very important for the State to look not only at issues of who is getting the jobs with the new construction projects, but where the other infrastructure investments -- and I would include buses as part of the infrastructure -- are being made so that people who are most in need of public transportation have access to high-quality public transportation. I was, for many, many years, a commuter to New York, and it's very important to have rail transit into New York. And the lack of a tunnel at this stage has hurt us tremendously. But there are many folks who work within the state, and the millennials want to work close to home. The idea that we will have many more people

-- which is stunning to me, because when I turned 17, the first thing I wanted to do was get my license -- who at like 17, 18, 19, 20 years old still don't have an interest in getting their license, means that our public policy, if we're going to make places attractive to them, need to take into account the fact that they want to get around in other ways.

There were two reports that I would -- that I'm not prepared to discuss, although I think that this Committee should have them in mind as work goes forward. One was prepared by New Jersey Policy Perspective, and the other was the Anti-Poverty Network of New Jersey. New Jersey Policy Perspective focused very strongly on shared prosperity, and the Anti-Poverty Network of New Jersey is focused on the issues of race, and poverty, and how, over time, they have had a tremendous impact on many of the citizens of this state. And I think it is an important issue, as both chairs have raised, as this Committee puts this work forward, to take those -- to have that lens on these issues, in addition to the very effective lens that McKinsey puts on these issues.

One infrastructure issue that hasn't been discussed, but I think it is fair to consider as an infrastructure issue, is information infrastructure. And I'm not talking about fiber optics or cable. But the simple information infrastructure that would enable small businessmen and women from around the state to understand what -- not only what the regulatory requirements are, but in my-- Wearing another hat, as I was traveling around the state, I spoke to many small business owners; really, people who have had great ideas and a lot of ambition, but they didn't know how to work through a pro forma. Businesses were likely to fail within six months to a year because there were all sorts of things that -- while they may have

had a great product, they didn't have it in their hands. And the State could help provide that sort of information, through its websites and other things, so that when people get their smaller businesses started -- they could be as small as a local bakeshop -- they know the hoops that they're going to have to jump through to get their businesses up and running. Because that's going to be one of those very important drivers, I think, of success going forward.

But also the notion that local Chambers of Commerce don't have a full understanding of what State resources are available. That's something that's fixable; it's fixable in the next Administration, and could be fixable with the sort of push that could come from this Committee.

Turning last to-- I raised the issue of our challenged fiscal environment. And one of the tools that has been pioneered -- it pioneered first in the United Kingdom, but now is in the United States -- is the use of social impact bonds. And social impact bonds are ways of bringing private capital to public good. There have now been over 50 that one organization, called *Social Finance U.S.*, has initiated across the country. And they have done things like help provide better services to veterans with post-traumatic stress syndrome. And they are the sort of economic device that encourages high performance in providing quality services, where the investors actually don't get -- they don't recoup their, I guess, the return on their investment unless they meet certain performance standards. And many states have the authority to do that; I believe that a legislative change would be needed in New Jersey to give New Jersey the authority to do that. But if that happens -- and it could happen on a pilot basis -- there may be municipalities, as well as the State government, that would like to run pilots to actually look into

this additional tool that can be used to help solve what is going to be a very challenging environment.

And with that, I am -- I will end my prepared remarks, and be happy to answer any questions.

SENATOR RICE: Thank you very much.

The things you said were very interesting.

Let's go to these social impact bonds; because it's clear to me, based on the way the Federal government is going now, with the politics of the fiscal, and their budget, we're going to either be slowed down or have to find new directions until we can get everything synchronized again.

So it seems to me, though, that one of the things we may be looking at are some of these best practices out there, or practices that could be modified to become best practices.

So these social impact bonds -- they are different than the angel tax credit type of investors coming in, or is this area the same? Do you understand the angel tax?

MR. JOHNSON: So as I understand an angel tax credit -- it essentially provides an incentive credit for an investor to come in--

SENATOR RICE: Right.

MR. JOHNSON: --and invest in a business. A social impact bond is actually going to a government service. So some of the first social impact bonds in the U.K., in the United Kingdom, focused on recidivism; where organizations said, "We will help prisoners reenter society; and we'll give them training, and we will -- this is the result it will have."

I believe that the goal in the first one was to get the recidivism rate down from 60 percent to around 45 percent. As part of the bond --

and the government provided some funding for this enterprise, the private sector provided some funding for this enterprise -- and as part of the bond, there was a specific target that was in mind.

Absent that funding, the program may not have actually existed for the men and women coming back into society. So that funding was provided; but the return on the investment wasn't made unless a particular target was achieved. And they achieved it, and they paid out the return on the investment. But that was a place where private investment was actually used to deliver a public good.

In the United States-- I'll just give this example from Connecticut. The Connecticut VA had a program providing veterans who had post-traumatic stress syndrome with job training and job placement. The problem was, they weren't able to stay. And so a bond was put together, to bring in private investment to fund an additional person who would work with the veterans. Basically what happened was, you had, within the VA, government services that were paired down to really -- they couldn't be effectively managed anymore. So you had a person on one side who was looking at the labor market; and you had a person in the middle who was actually dealing with the medical issues of the vet; and then you had a person on the other side who was basically looking at training with that.

But the three weren't necessarily talking to each other. So that when people were being placed, they may not have had the right job skills for the jobs that were available; or because of their particular -- the way the post-traumatic stress syndrome manifested itself, they were not going to be right for a particular job because of their medical condition.

So the bond financed a program where there was one person who connected the dots within the government and made sure that the government program functioned effectively for the individual. And the results have been very good, and the investors have been repaid. But that's something where absent that bond program you wouldn't have had that additional person to, sort of, bridge the gaps. And those impact bonds have been put in place to help programs with the elderly; they have focused sometimes on issues of hunger. Two-and-a-half, three years ago, I believe, Social Finance U.S. was trying to develop a bond in an approach that would have dealt with the high infant mortality rate in Newark, New Jersey. And that hasn't been let, because we don't have the legislative support for it. But clearly there are areas around the state where there's already tremendous need; there's likely to be more. And this may be an avenue that the Legislature may want to pursue, with the Administration, to find different ways to fund these social needs that may go wanting.

SENATOR RICE: Very good. In fact, it sounds like a very interesting program. We need to know, from this Committee's perspective -- and the Legislature as a whole, but we can look at it from here -- more about that social bond piece. So any information you can share with us, I'd appreciate it.

I'm going to ask staff -- Greg, if you would look further into that, with OLS, because it sounds like something that would be a good tool. There is no one tool that is going to fix our problems; we know that. But we don't want any voice left out of our arsenal either, you know, in terms of the tools themselves.

I really appreciate that, Jim; and hopefully, you'll remain a part of us, in terms of this Committee. We'd like to be able to reach out for you, as well as the rest of the network, to kind of pick your mind and help direct us as we move forward. I think that's going to be very important to us.

And also, I would hope that the members of this Committee talk to other organizations -- women's organizations, minority organizations, etc. -- to find out some of the concerns they have that may not be getting addressed this morning. But I do know we're on the right track for a couple of pieces, and I think that we need to look at the transcripts when they come in, commit some things into writing, and have a conversation with the Administration.

I think that those who spoke this morning -- we have others; you're not the last. You're the last in that segment, okay? -- what we are going to do is be able to say, "Okay, this is what legislation should look like in these different areas. Here's what protections should look like." These are the kinds of conversations we need to have with these organizations, or the leadership of these organizations. I know that we have to have a real frank discussion with labor and the construction side; I also know that we have to have a frank discussion with some of the corporate businesses, as it relates to where they are located and what their needs are; but also, who they are hiring. Because in a lot of these urban centers -- where you have no-income, low income people working -- they are not folks directly from the community.

And I know that working with OLS -- and Greg, you can remind me of this -- is that we have legislation in -- I'm going to put it back

in -- to try to give a priority to local residents first; which in my conversation with corporations, in particular -- because unions are a little different -- is that they don't mind doing that. The problem is, where we started from, there's not a trained workforce. And so we have to create that marriage and say, "Here's what we'll do to make sure folks are trained in that community to assist you, so at least we can share the jobs if we don't get the jobs directly."

And so that conversation -- we're going to have to have as well.

So do you have any questions?

ASSEMBLYMAN WIMBERLY: Just a comment.

I just wanted to thank you both for your wealth of knowledge.

And like Senator Rice said, we have more opportunities to hear from you on many of these issues that have a major impact, in particular on the minority and the female community here in the State of New Jersey.

It's just interesting that you said -- I experience, on a regular basis, where my younger folks will not get a driver's license, better yet a CDL license, for some of the job opportunities they have. I don't know what we have to change -- our educational system, or what it is, (laughter) but I remember years ago, when I was in college in the early 1980s, people from New York never had a license. Today -- I went to school in Virginia; today that would be, "What do you mean you don't have a license?" I couldn't wait to get a license. So it seems like that trend is turning back here in Jersey, for whatever reason.

But that is major issue -- license; and then also those who have licenses that have been revoked and they have to go back through. And I

know we have legislation we're working on to pay all these penalties, and things of that nature, so we can get them a driver's license.

So I'm hearing everything loud and clear; and I just know that we need to hear more from you -- not just here in the legislative caucus, but throughout the State of New Jersey.

So I thank both of you.

MR. JOHNSON: Thank you; I am happy to be helpful.

MR. HARMON: Thanks.

SENATOR RICE: Okay; now I want to say that the Senate President and I had conversations. I know he wants to work closely with this Committee. He also wants to work closely with the Legislative Black Caucus, because of our members. I always remind him we're co-equals in the Legislature, but we do have a different perspective on a lot of these things.

And so we're going to be doing a lot more, I can assure you. And I believe we're going to get support from both houses of the Legislature on a lot of the things that we want to get done that haven't even been written up yet, or legislated yet. We're going to probably get support on getting the new Administration to enforce the laws, and things on the books, because the first step -- if we really started enforcing some things on the books, you would see an increase -- you will see an improvement right away. But the problem is, they are just sitting on the books. And so we need to take a look at that; and that's what we need to maybe, at some point in time, have OLS go through -- the whole litany of things that we have on the books, like Public Law 335, and 313, and all those others, to say, "This is the package," so that the legislators can look at it again and

say, “Okay, we need to change some of this” -- which we may have to do on the apprenticeship side -- or “We need to enforce this; and we need you to enforce this, Governor; we have your back on this.” If it means additional resources for the enforcement arm, we need to do that. I just believe those things pay for themselves. And so that becomes important.

I also want to say, for the record, that with this group here, the Institute for Social Justice has the same concerns we’re raising. The Executive Director, Ryan Haygood -- his people really couldn’t be here to testify today -- but that’s another organization that’s doing in-depth research on the impact on minorities and women, in particular. And a lot of this is directly related to the criminal justice system as well. When we look at the McKinsey Report, you don’t see criminal justice there; but if you do what lawyers call *interpolation*-- They don’t understand that term. Interpolation -- reading between the lines, right? It’s criminal justice too, so it has to go hand in hand. And it’s also health care. So we get that relationship, okay?

So I want to thank you very much for taking the time to come down and testify.

And now we’re going to bring the next group up.

MR. JOHNSON: With the Chair’s permission, I would submit, later on today, a more complete version of my testimony.

SENATOR RICE: Yes, we’d appreciate it, because we want to share it, okay?

The New Jersey Poverty Research Institute -- are they here?

Okay; I want to bring up the Legal Services of New Jersey; bring the whole team up. And I'm not going to mess your names up; the only one I could probably get right is Maura Sanchez (*sic*).

**CLAUDINE MOREAU LANGRIN**, Esq.: Good morning, Senator, Mr. Chairman.

SENATOR RICE: You have others here?

MS. LANGRIN: I'm Claudine Langrin; I'm the Senior Vice President at Legal Services of New Jersey.

SENATOR RICE: Okay; hang on a moment.

MS. LANGRIN: I want to introduce to you the Directors of our Poverty Research Institute, Allan Lichtenstein and Shivi Prasad. And also we have our Workforce Development Chief Counsel here, Maura Sanders.

SENATOR RICE: While they are doing that, could the staff make sure that all members of this Committee get copies of everything that's being distributed?

ASSEMBLYMAN WIMBERLY: Thank you.

SENATOR RICE: You know, mail it to them, or give it to me and I'll, you know--

Greg, I was asking that the staff makes sure that everything that we have for the record be dispersed to our members who are not here, as best we can. We may not have books, but, you know--

Okay; so you've stayed, you've heard. Now we can get the legal mind perspective on this -- Legal Services -- because I know you do a lot working with folks who are destitute, those who are struggling, those who

have a disability problem that Jim Johnson talked about. But everybody needs job opportunities who are capable of working, right?

So why don't we hear-- And you can determine among yourselves who speaks first.

**A L L A N L I C H T E N S T E I N, Ph.D.:** My name is Allan Lichtenstein; I work at the Poverty Research Institute at Legal Services of New Jersey.

We have a short statement here which we will read, and we'll share in the reading.

Appended to the report, there are a number of charts; and if you need explanation, we'll be glad to give explanations on these charts. But the report talks to the charts in brevity.

The McKinsey report, *Re-seeding the Garden State's Economic Growth: A Vision for New Jersey*, focuses on the New Jersey economy's untapped potential and makes four recommendations to spur economic growth and enable the creation of 250,000 jobs over the next decade.

Two of the recommendations -- improving the transportation infrastructure and addressing work imbalances by providing job training -- are areas that the Poverty Research Institute at Legal Services of New Jersey previously has focused on.

The report, however, does not address what other steps and work supports, including adequate and affordable child care, are necessary to bring the poor into the workforce. In other words, the report does not articulate how the growth in the economy will boost actual and real job opportunities and living wages for low-income people who are able to work. These are crucial needs.

What we, in fact, have in New Jersey is a divided state. While residents at the upper end of the income scale have more than recouped the income losses they suffered during the Great Recession, the lower income groups, and especially the poor, are still living in poverty.

While median wages have risen for the top 10 percent and the top 25 percent of the workforce, they have declined for the bottom 50 percent; and, in particular, for the bottom 25 percent and the bottom 10 percent. In both cases, median wages were below \$15 an hour in 2016.

In New Jersey, in 2016, 44 occupations each employed more than 20,000 workers. In total, these 44 occupations accounted for one-half the number of wage workers in New Jersey. Of these 44 occupations, 19 paid a median wage that was less than the real cost of living for a single adult in New Jersey in 2016, which is \$30,909 on average.

If we look at the 30 occupations the Bureau of Labor Statistics has projected to have the highest job growth nationally between 2016 and 2026, 10 of these occupations are in the list of the 19 that pay a median wage less than the real cost of living for a single adult in New Jersey.

We should also point out that the Bureau of Labor Statistics projects a bifurcated wage force in 2026, with jobs at the two ends of the wage scale growing by larger percentages than those at the center.

**S H I V I P R A S A D:** The intractable hold of poverty in the state remains a critical concern--

**SENATOR RICE:** Excuse me; could you give your name, please?

**MS. PRASAD:** I'm sorry; I'm Shivi Prasad, also Co-Director of the Poverty Research Institute at Legal Services of New Jersey.

SENATOR RICE: Okay; you can start over now.

MS. PRASAD: Okay.

The intractable hold of poverty in the state remains a critical concern to the Poverty Research Institute.

While the official poverty rate has plateaued in the last few years -- decreasing from a peak of 11.4 percent in 2013, to 10.4 percent in 2016 -- this decline should not be considered as a moment of respite. Several critical cautions must be kept in mind.

First, we are still at a poverty level unseen over a period of 50 years. Poverty stood at 8.1 percent in 1969.

Second, the poverty rate is still markedly higher than the 8.6 percent at the outset of the Great Recession in 2007.

Finally, these official poverty rates do not come close to exposing the depth of impoverishment and deprivation in New Jersey. In most cases, the real cost of living -- depending on family size, composition, and county of residence -- is as much as 2.5 to 4 times higher than what the Federal government considers to be a poverty income level in New Jersey. For example, the Federal poverty threshold for a three-person family, comprising one adult and two children, is \$19,318 annually. However, based on the Poverty Research Institute's real cost of living studies, the same family's actual deprivation of poverty seems to occur at 250 percent of the Federal poverty level, currently \$64,247 annually.

This means that, in 2016, there were actually about 2.7 million people -- or one-third of the state's population -- effectively living in poverty; three times more than the Federal poverty level. Any policy geared

towards economic growth must consider the plight of so many New Jersey residents living in poverty.

Thank you.

SENATOR RICE: State your name, please, and your organization.

**MAURA SANDERS, Esq.:** Good morning.

My name is Maura Sanders; I'm Chief Counsel at the Legal Services of New Jersey, dealing with Public Entitlements as workforce development issues.

In that capacity, I have the fortunate opportunity to work both with individuals on a case-by-case basis -- primarily with those who are seeking to enter the job force; those who are unable to enter it due to disability, those who are seeking access to our public benefits in New Jersey, and access to, then, our workforce development services for that population; and I have the opportunity to work with the folks who are at the Poverty Research Institute, and others, on further evaluation of our programs on a broader policy level. So it's good marriage, essentially, to be able to put those two pieces together.

To let you all know, one of the things that we are currently undertaking is an analysis or a look back at our Workforce New Jersey program as it relates to what's happened with the program over the last 20 years. Our program was fully implemented as of July 1997, so we've just reached our 20-year mark and we're looking back at that, and what's happened. Part of that is to look at what's happened to the program as it relates to people moving into jobs and what it has done for folks.

And as we've heard today, and as the McKinsey Report highlights, there is a real need for additional job training, for additional employment in training programs, and for additional skills, so that we can move our folks who are unemployed and underemployed into the workforce.

Part of what-- That report should be out in another month or so, but part of what we've looked at in that -- and from me, some of the striking pieces of that that play into this -- our caseload has declined dramatically, and there has been some shift in the caseload as a result of that. We see that -- now we see many more people who are looking and accessing low-income services and our safety net assistance actually have high school education and post-secondary education. Where that number used to be about 45 to 50 percent when we first started this, now we're looking at upwards of 70, 75 percent who actually have a 12th grade education and who need some additional skills to move them forward. And those folks are really poised to receive some quality job training that's going to move them forward and enable them to be the folks moving into these jobs that are created; and where we really need some additional services.

So having those quality programs in place is essential. We need a program and a system that really works beyond just meeting Federal work requirements, both within our WorkFirst New Jersey program -- for TANF for low-income single parents; and in our NJ SNAP program, which serves a much larger population in New Jersey. Essentially, right now, we have somewhere between 800,000 and 900,000 New Jerseyans accessing that program; for many of them, this is the program that is their entrée into workforce development. So we really do need to be flexible.

Senator, you mentioned earlier, several times, the Workforce Investment Opportunity Act really does provide some new opportunities to provide these services in a more flexible way; to make sure that we are linking people to all of the opportunities available to them, and not just what's set forth in the Federal law. We have a lot of opportunity to move them into better, quality training programs than what's been offered. And I think we -- hopefully, we'll have some opportunity to do that, moving forward.

SENATOR RICE: Thank you.

The problem I think Jim Johnson mentioned is that we're going to have some challenges which we didn't expect. I haven't seen the Trump Administration budget, but I do know from my Committee, nationally -- the work we've been doing -- is that it was proposed to cut about \$1.8 billion out of the Labor Department in general, which goes directly to the workforce investment stuff that we do here, and some of the stuff that the Assemblyman and I do at SETC. And we're on the right path, so we don't know what all that means.

But I also know we don't have the resources; we need to find resources, because we can't go status quo, or go backwards. Because the only way you're going to make money or move the economy is to put people to work. We found that out years ago; when I was here, we ran into a little recession. The one thing we did -- and the folks got angry -- we pumped money into the construction trades and infrastructure. And that's what kept New Jersey afloat when everybody else was really deep sunk, okay? So we know that.

But one of the things that I would hope that Legal Services, and the Association of Black Women Lawyers, and the Garden State Bar Association in particular-- Because I look for minority organizations and organizations that are helping “those who have the least” to do the research that’s necessary and at least raise the arguments that are necessary.

So when we look at this whole picture, one of the problems is that we talk about job training; so we’re talking about employing people who are not employed, or retraining people who are employed. But there’s a whole different world out there that the Legislature doesn’t like to talk about, because “friends, and family, and relationships,” politically, are making money -- and that’s the professional service area. So if, in fact, we’re going to talk about the Gateway project, then there are lawyers, and accountants, and other professional people who are minorities -- okay? -- who should be on those programs, as well as the contractors. So we talk about how to get, say, a minority or women a construction contract -- an award -- under some general contractors, when they should be the general contractor themselves, getting other folks under them. But we’ll talk about that.

But we keep the door and act like it doesn’t exist, on the lawyer side of it, the CPA side of it, you know? -- the scientist side of it. And so that’s something that we need to start to bring to the forefront when we talk about diversity, and we talk about economic justice, and equal employment opportunity. This Committee -- along with the Legislature’s support, hopefully -- and those who support what we do outside the Legislature to bring these things to their attention, should really be driving -- when you say *job training* -- professional services; *job training* -- professional

services; *minority participation* -- professional services. If not, you're going to continue to see-- For example, if you talk about the New Jersey where we invest our money, well, I can tell you this: 13 percent of the State of New Jersey population is black folks. So we pay pensions too, but we don't have any say-so where our pension goes. And so we'll spend the pension money and give it to folks -- and we're not involved with it -- to build, say, the Gold Coast; revenues in that same pension money to build the infrastructure that's in place. We don't live in the Gold Coast and we don't get the Gold Coast jobs. But if we put it here (indicates), we'll get them and we can live there.

And so we have to re-think what we are doing. But if those of us in the Legislature are arguing this, and we're only hearing from each other, and there's not a groundswell outside -- not just of people looking for jobs, but the organizations like yours and others that are pushing stuff-- You know, that's what I mean -- working families have issues sometimes -- okay? because they just want what they want, and they're not -- they're one way.

So that's something I would ask that you look at as something we need to start a campaign on with the new Governor -- is that, if we're going to raise questions, then talk about it across the board.

The one thing that does not happen here -- and I'm trying to get at least the Legislative Black Caucus to do -- and some of my members are still a little weak in this; they forget, and not probably put tags on them when they go to Committee meetings. Because, particularly those on Budget and Appropriations -- white folks are not going to ask about minority participation; not because they don't want to, they don't think

about it. They are thinking about putting people to work -- so putting people to work in the aggregate.

The only way you're going to get questions raised to the Administration and get things done in the Legislature is that someone has to ask them the way Senator Lipman and I-- When I first came here, there were only two black people in the Senate, out of 40. There was Senator Wynona Lipman and myself, and we were both on Appropriations. And every Commissioner who came before us talked about what they were doing. And we said, "Okay; now how are we doing for affirmative action and minority participation? How many black folks, and Latino, and women and other people work in those areas?" "Well, 1 percent." "Well, you're not doing good."

So we have to raise that on our side; but the organizations have to raise it on their side. Because there is no way, when you look at the report the policy people gave to us, *Growing New Jersey's Economy* -- there's no way New York should be at the levels they are at. And we started this-- I started this stuff 31 years ago; New York was no place -- we should have been ahead of New York.

And so I just wanted to raise that to you. Professional services have to become a part of the conversations; and these big law firms that are getting all this money, or the State government money, Authorities money, etc. Because that's where our jobs are.

And we also have to argue diversity on these boards; and we have to also argue diversity in the courts. If you talk about economic justice, you're not going to get justice, sometimes, unless you go to court. But if you don't have black folks, and women, and Latinos sitting on those

benches who understand what we're talking about, you know, from a cultural perspective or a community perspective, there's not going to be any justice. It's going to be just us, you know, arguing a case with no victories.

And so I think that's important for the record, and it's important for us to educate our colleagues in the Legislature as well. And I think this Committee was really selective; and I want to commend both the President and Speaker Prieto for this Committee when I set the makeup of it. Because they asked me to identify, when I put the legislation in, who should be on it. And if you notice, on this Committee, there were eight women and two guys, okay? Because I knew black, white, Latino -- I knew that collectively we understand what our needs are and where we should be moving.

But we need Legal Services' help, and we need you to work with the Garden State Bar Association, the Association of Black Women Lawyers, the Latino bar, the Asian bar as well, to continue these conversations. Because we're going to work with black lawyers from the Legislative Black Caucus perspective; the Committee's going to work with everybody; and I think if we did it that way, then people will recognize that we're serious. When legal minds come together, when a number of people can crunch numbers, I think that's when we get it.

And I believe that this Governor and the Democratic-controlled Legislature, with some of our Republican colleagues, are committed to getting it done. But we have to sometimes show them the way because (indiscernible) may not be on their brains. It's our collective wisdom that's going to make a difference.

So Assemblyman, do you have any questions to this group here?

ASSEMBLYMAN WIMBERLY: No; thank you, Senator.

I mean, you summed it up very well; in particular, I think, on the legal end. I think, at some point, on some of these things, we have to take action. Hopefully we won't have to take action against, because we can't continue with the injustices that we faced in previous Administrations to move forward. I'm very hopeful that things will improve for women and minorities during this Administration.

Thank you.

SENATOR RICE: And one final thing, for the record, we need to -- because I've always said this -- we need to be vigilant -- the Economic Justice and Equal Employment Opportunity Committee, and those interest groups -- that whatever gets cut shouldn't have a negative impact on women and minorities totally and only. There should be a shared relationship. The gains should be shared, the pain should be shared.

I've always told people-- They said, "Well, how do you work government?" because I was a former Councilman, Deputy Mayor, State Legislator. I said, "When I look at budgets, the first thing our colleagues will tell you, the Governor will tell you, a Mayor tell you, etc. -- on your own legislative side -- is that, "We don't have money to do those things. We have a budget deficit." So I always said, "Well, look. I recognize you have a deficit, and I will help you fix the deficit. But we're not going to talk about the deficit, because you didn't tell me we were broke. (laughter) Let's talk about the money we have. We're going to have to redirect some of those dollars; were going to have to do it another way."

So my point is, is that we can't have tunnel vision; we have to be more objective, and we have to have peripheral vision and peripheral ears, too. When people start talking, we have to get the subliminal message. The subliminal message is, "We don't want to help you." And our message should be that, "You are going to help us." And from a legislative perspective, collectively, we should say, "Well then, this doesn't fly. It just doesn't fly."

MS. SANDERS: Absolutely.

One thing, just on that -- in terms of shrinking dollars, going forward. In some areas we may see actually more money coming in from employment and training, depending on what happens.

But certainly we're happy to work with the Committee and other members to talk about how we can redirect that money, and exactly how we can most creatively use those funds within the skinny lines that we have, so that we make these programs as effective at reaching those who really need to be served.

SENATOR RICE: And sometimes when you involve smaller businesses and minority businesses, sometimes they'll tell you, "We don't need your money for training; we'll train ourselves. But give us an opportunity to make some money, so give us some contracts too." And that's what this is all about.

So I want to end this by saying that I appreciate everybody who took the time to come out today. I really appreciate staff too, because we didn't realize there would be so many other Committee meetings today. We tried to do this in lame duck intentionally, but I know that the Senate

President and the Speaker wanted to get some things through before the change of Administration.

So we're going to be looking forward to having additional conversations and calling you back. Please send us recommendations you may have as to some of the things we should be doing, legislatively, and we can take a look at it, okay?

Thank you very much.

The meeting is adjourned,

**(MEETING CONCLUDED)**