

EXECUTIVE ORDER NO. 3

WHEREAS, creating good-paying jobs for New Jerseyans is a central focus of my administration; and

WHEREAS, New Jersey enjoys many natural advantages that other states cannot match, including our location, labor force, transportation networks, public education system, and research and development, that provide powerful incentives for any company looking to operate a successful business; and

WHEREAS, tax incentives are only one factor in businesses' decisions on where to locate; and

WHEREAS, studies have consistently demonstrated that New Jersey's current economic incentive programs have proven less effective than those in other states; and

WHEREAS, one study showed that New Jersey spends \$162,000 in economic incentives for each job, while Massachusetts spends only \$22,000 per job; and

WHEREAS, while the amount of economic incentives provided by the State of New Jersey has increased dramatically over the last decade, these incentives have gone primarily to large companies while the number of small businesses in the State has declined from 2010 to 2015; and

WHEREAS, despite the dramatic increase in tax incentives, New Jersey's economic recovery from the recession caused by the financial crisis has lagged behind competitor states; and

WHEREAS, it is important to ensure that our economic development programs benefit both large and small companies, and that their benefits are fairly distributed among all regions of our State; and

WHEREAS, under the Economic Opportunity Act of 2013, the Economic Development Authority ("EDA") has the power to issue large tax incentive packages and create end-year obligations; and

WHEREAS, the EDA's discretion in approving tax incentive packages is limited by strict statutory guidelines; and

WHEREAS, from a financial perspective, EDA's award of a dollar in tax incentives has the same effect as spending a dollar of taxpayer money, and therefore the EDA must be accountable to the taxpayers of this State; and

WHEREAS, the Office of the State Auditor found that the EDA needed to improve its efforts to verify several aspects of applications submitted by businesses, including: (1) the difference in cost between staying in New Jersey and moving out of the state, and (2) the existence of at-risk jobs; and

WHEREAS, the Office of the State Auditor also found that the EDA needed to strengthen procedures designed to ensure compliance with the terms of the EDA grants; and

WHEREAS, a comprehensive performance audit of the EDA's two primary tax incentive programs, the Grow New Jersey Assistance Program and the Economic Redevelopment and Growth Grant Program, will both inform the public about the EDA's operations and assist lawmakers in their deliberations as to whether these programs should be reauthorized when they expire on July 1, 2019;

NOW, THEREFORE, I, PHILIP D. MURPHY, Governor of the State of New Jersey, by virtue of the authority vested in me by the Constitution and by the Statutes of this State, do hereby ORDER and DIRECT:

1. The Office of the State Comptroller ("State Comptroller") shall conduct a complete performance audit of the Grow New Jersey Assistance Program and the Economic Redevelopment and Growth Grant Program, and predecessor programs, from 2010 onward. The audit shall include, but not be limited to:

a. A comparison of the actual economic benefits realized, including but not limited to the number of new jobs actually created from the incentive award, against the projected economic benefits that were asserted or considered in evaluating applications approved for such awards;

b. Information on the types of jobs that have been created, including salaries, wages, and benefit levels, as well as the locations within the state where these jobs have been created;

c. A review of the decision-making process regarding the acceptance of applications, focusing on how the EDA has exercised its discretion under the statutes; and

d. An examination of the application process for such awards, including documentation and disclosure of expenses incurred by the applicants, including lobbyists, consultants, and legal representation, as well as information about the administrative costs incurred by the EDA in processing these applications.

2. The EDA shall, to the extent consistent with law, cooperate fully with the State Comptroller and provide such information and assistance on as timely a basis as is necessary to accomplish the purposes of this Order.

3. The audit shall be commenced within 60 days of this Order, with a target completion date of December 31, 2018.

4. This Order shall take effect immediately.

[seal] GIVEN, under my hand and seal this
19th day of January,
Two Thousand and Eighteen,
and of the Independence of
the United States, the Two
Hundred and Forty-Second.

/s/ Philip D. Murphy

Governor

Attest:

/s/ Matthew J. Platkin

Chief Counsel to the Governor