



Report of the
Stronger and Fairer Economy
Transition Advisory Committee

Submitted to Governor-elect Phil Murphy and Lieutenant
Governor-elect Sheila Oliver

January 1, 2018

EXECUTIVE SUMMARY

The Stronger and Fairer Economy Transition Advisory Committee recommends that the Governor-elect consider the following recommendations to accomplish the following five key priorities:

- I. Priority: Establish economic growth and opportunity as a core policy project for the state**
 - i. Establish a Jobs and Economic Opportunity Council (JEOC) in the Governor's office to develop and advance the administration's economic and workforce development policy agenda
 - ii. Work with Choose New Jersey and other organizations to enhance guidance and support from New Jersey's business, nonprofit, labor, and education leaders
 - iii. Improve business outreach and simplify regulations to ensure that businesses are encouraged start, grow and relocate in New Jersey

- II. Priority: Grow New Jersey's economy and key sectors**
 - i. Support key industries with sector-based training programs and other targeted initiatives
 - ii. Improve physical infrastructure and reduce congestion
 - iii. Attract foreign direct investment (FDI)
 - iv. Assist New Jersey businesses with exporting goods and services
 - v. Review Economic Development Authority (EDA) incentive and loan policies to maximize the State's return on investment, and emphasize transparency and fiscal responsibility

- III. Priority: Grow New Jersey's innovation economy through public, private, research university partnerships**
 - i. Expand business incubators
 - ii. Make 21st century jobs available for all
 - iii. Enhance coordination between universities, businesses, and state government

- IV. Priority: Increase opportunities for business ownership and access to capital**
 - i. Assist entrepreneurs through programs such as one-stop business development centers and better software
 - ii. Appoint a Chief Diversity Officer (CDO) and modify state procurement policies to assist minority and women-owned business enterprises (MWBES)
 - iii. Conduct a feasibility study on a Public Bank and explore other means to promote local access to capital

- V. Priority: Ensure inclusive growth and advance economic security for all New Jerseyans**
 - i. Enact a \$15 minimum wage, expand family leave insurance, and establish statewide earned sick leave
 - ii. Curb gender-based pay disparities
 - iii. Promote local hiring policies by state-assisted organizations and businesses to increase job opportunities for community residents
 - iv. Improve public benefits programs, such as unemployment insurance, WorkFirst NJ, SNAP, to increase transitions to family-sustaining employment opportunities
 - v. Launch the Small Business Retirement Marketplace to assist New Jerseyans with savings
 - vi. Support working New Jerseyans by supporting organized labor

REPORT

Unless otherwise indicated, the recommendations outlined below can be achieved by administrative action and by reallocating resources.

The Governor-elect often described our state's economy as "profoundly unfair, and flat as a pancake." Although New Jersey has numerous advantages—including its people, schools, location, and diversity—they have too often been overlooked. This administration is committed to creating a stronger, dynamic economy that provides opportunity for all. This will involve restoring New Jersey's leadership in the innovation and infrastructure economies. We will no longer neglect our transit system, and we will make the state a compelling location to create a company or introduce new ideas. It will also include taking a holistic view of how the government can support inclusive growth. The State should address entrenched barriers to employment and ownership, and help all residents find paths toward economic security. New Jersey needs to be a more affordable place for young people to start their careers. And the State should ensure that opportunities and gains are fairly distributed for all of our residents. New Jersey has the potential to be a model state for progressive economic growth in the 21st century.

I. PRIORITY: ESTABLISH ECONOMIC GROWTH AND OPPORTUNITY AS A CORE POLICY PRIORITY

New Jersey's economy has fallen behind. Our state had the eighth slowest recovery from the Great Recession, and our economy has consistently grown behind the national average. For nearly a decade, the State has lacked a cohesive economic development agenda. This meant that certain programs, like corporate incentives, received significant attention, while others—like infrastructure investment or housing—were ignored. The Murphy administration should take a more active role in promoting economic growth and opportunity both through creating new policies and reforming current administrative structures. To assess progress, the state will monitor state GDP, median household income, poverty levels, unemployment and labor force participation, business friendliness rankings, business migration, and capital investment attracted and other signs of economic progress.

i. Recommendation: Form the Jobs and Economic Opportunity Council (JEOC) in the Governor's office to develop and advance the administration's economic and workforce development policy agenda.

This Council, modeled after President Obama's National Economic Council (NEC), would include leaders from the Governor's senior staff, the Economic Development Authority, the Departments of Education, Labor and Workforce Development, and Transportation, the Office of Higher Education, and Rutgers University's Heldrich Center for Workforce Development. Other components of state government would be included as needed.

Created by executive order, the council would develop economic policy, help coordinate the implementation of priority policies, and monitor program results. It would synthesize and distribute data from other departments, creating a dashboard to measure the state's economic progress. The council would work across agencies to maximize federal funding and coordinate philanthropic partnerships.

ii. Recommendation: Work with Choose New Jersey and other business and community organizations to enhance guidance and support from New Jersey's business, nonprofit, labor, and education leaders.

The Governor should expand partnerships with stakeholders to promote economic development and opportunity, education, and workforce development policies. The Governor will consult with business, education, labor, and community leaders', and local elected officials to improve state economic policy, and partner with these outside organizations to advance programs that will benefit the state residents.

Regular, informal advisory sessions with state business, labor, educational, and community leaders will better inform the governor and his senior advisors. They will also affirm the governor's personal commitment to moving New Jersey forward.

iii. Recommendation: Improve business outreach and simplify regulations to ensure that businesses are encouraged to start, grow and relocate in New Jersey.

Discussions with outside stakeholders reveal confusion about the interaction between economic development agencies and private non-profits organizations that promote the state.

The Administration should integrate the work of these various entity to expand the role of the EDA in marketing the state and making New Jersey hospitable to business growth.

The EDA and other state agencies should improve the customer experience for business while also ensuring that they comply with the laws and regulations established through law and regulations.

II. PRIORITY: GROW NEW JERSEY'S ECONOMY AND KEY SECTORS

New Jersey's economic development plans have been criticized for their inefficiency and lack of transparency. Currently, there are nearly 30 programs across 13 government agencies. Since 2010, the state has made incentive commitments amounting to \$8 billion—far more than our neighboring states. New Jersey should reorient its economic development strategies toward the most productive and innovative industries and reward companies that invest in our state's people, communities and infrastructure. The State must be proactive in attracting companies to New Jersey, rather than relying on passive and formulaic tax incentives. The State should focus on key industry sectors that form the foundations of the current and future state economy.

New Jersey should also take full advantage of our deep ties with the people and economies of other nations. A fifth of our residents were born outside of the United States, and nearly a third are multilingual. In 2014, 20,467 NJ-based companies produced \$32 billion in exports. Small firms produced 44% of that value. The State should increase efforts to attract foreign investment and connect companies to global markets.

To assess progress in these efforts, the State will monitor employment and completed apprenticeships in key sectors, firm health in key sectors, foreign direct investment, and exports.

i. Recommendation: Support key industries with targeted initiatives, including sector-based training

New Jersey should maximize the potential of sectors with high-growth rates and meaningful employment. The following clusters, at a minimum, have been identified under this goal: (1) Logistics, (2) Life Sciences, and (3) Information and Technology and (4), including the Clean Energy sector. This is in part based on McKinsey's *Reseeding Growth in the Garden State* report, which found that New Jersey could grow its GDP by \$150 billion in the next decade if it matched national growth rates. The State should facilitate the growth of these industries and others through infrastructure, research, and education and workforce training programs.

The State should repurpose its “stranded assets” to be project-ready sites for companies in these focus sectors.

The State should expand on the efforts of the recent Research Asset Database (RAD) initiative, which is designed to better inform companies about research at the state’s universities. Additional state support for research and development (R&D) is needed in these fields, and there should be better coordination with university technology transfer offices.

Workforce training also represents a significant opportunity for New Jersey. Companies closely assess states’ labor markets before expanding or locating in a community or state. High-quality education and workforce training—either in the classroom or on the job—creates opportunities for businesses and job applicants. New Jersey should develop more effective sector and occupation-specific workforce development programs, such as apprenticeships and partnerships with institutions of higher education, in priority fields.

ii. Recommendation: Improve physical infrastructure and reduce congestion

New Jersey’s road, rail, and urban infrastructure has become drag an economic growth and a source of frustration for commuters. New Jersey’s roads have become synonymous with congestion, and delays on NJ Transit are far too common.

It will take significant time and resources to put us on the path to world-class infrastructure; however, the Murphy administration can take immediate steps to demonstrate its commitment to addressing these problems. Steps for the first six months include:

- Moving toward cashless tolling on the state’s toll roads
- Upgrading the NJ Transit app’s functionality, particularly for buses
- Introducing adaptive traffic control in high-congestion zones
- Launching centralized procurement with strategic sourcing across agencies and municipalities

The administration should also review infrastructure-related public-private partnerships (P3s) in other states (e.g., Virginia), and assess whether to endorse P3 legislation before 2019. These issues will be further discussed in our Transportation and Urban and Regional Growth committee reports.

iii. Recommendation: Attract foreign direct investment (FDI)

New Jersey is home to an extraordinarily diverse labor force. The State should form partnerships with countries that have significant ties to our population, and diversify investment sources. Currently France, the United Kingdom, and Switzerland and Canada support the most jobs in New Jersey.

Building on Governor-elect Murphy’s deep experiences in Europe and Asia, the State should pursue investment opportunities from business in those regions as well as Latin and Central America and Israel.

iv. Recommendation: Assist New Jersey’s businesses with exporting goods and services

New Jersey should make sure its businesses are connected to the world. The State's export initiatives could be as simple as hiring multilingual residents to assist New Jersey firms with international marketing.

New Jersey should evaluate its current initiatives (e.g., NJ State Trade Expansion Program) and determine if an export development program (or loan fund) is appropriate. The administration should also determine whether the International Business Development and Protocol office should be relocated to the Economic Development Authority.

Export initiatives should not only be seen as a supplement to helping New Jersey's firms compete at home. They should be combined with other initiatives that encourage New Jerseyans to buy local (e.g., Jersey Fresh) and help businesses grow (See economic gardening below).

v. Recommendation: Review Economic Development Authority (EDA) incentive and loan policies to maximize the State's return on investment and emphasize transparency and fiscal responsibility

In the past several years New Jersey has paid, on average, more than five times as much as peer states for every dollar of investment it attracted and for every job created or retained.

The State should retain an independent organization to conduct a performance audit of the EDA and related incentive and loan programs and report to the legislature. The State should create a regular process to evaluate the return on investment from its incentive and local programs and strengthen EDA's accountability and transparency provisions. The State should also ensure that incentives are aligned with key sectors.

III. PRIORITY: GROW NEW JERSEY'S INNOVATION ECONOMY THROUGH PUBLIC, PRIVATE, AND RESEARCH UNIVERSITY PARTNERSHIPS

Creativity and innovation are deeply rooted in New Jersey's history. Paterson was arguably the site of our country's first economic incubator. New Jersey has been the home of Bell and Sarnoff labs, Thomas Edison and countless inventors. Our state has a highly educated population and significant patent rates. But we should be doing more to realize New Jersey's full potential, including helping residents find employment in advanced industries. We have lower venture capital flows than our peer states, and are currently behind the national average for venture capital-backed investments per capita. Restoring New Jersey's place in the innovation economy requires a coordinated effort between educators, businesses, and improving our housing and transportation options. It also requires ambition. New Jersey has stood by while other states have taken bold steps (e.g., Roosevelt Island, Massachusetts' Life Sciences Initiative). The Murphy administration can change that dynamic. To assess progress, the state will monitor new business starts and survival rates, venture capital-backed investments, and STEM employment.

i. Recommendation: Expand business incubators

New Jersey should aim to place at least one significant business and technology incubator in each major urban area and connect one to each institution of higher education. The state could advance these efforts by repurposing vacant government or private sector office space. This initiative should be part of a general movement towards creating accessible spaces for entrepreneurial activities and job training.

This can be done through public private partnerships and administrative action. The Governor should also work with the legislature to facilitate connections between community colleges, job training facilities, and entrepreneurship programs.

ii. Recommendation: Make 21st Century jobs available for all

Today's high-paying jobs increasingly require technology-based skills. New Jersey should use its federal WIOA dollars, state Workforce Development Partnership Program (WDPP) funds and other education and workforce funding streams to offer accelerated, skills-based classroom training programs and on-the-job training (See Labor and Workforce Development Report).

The State should prioritize areas with high unemployment for these opportunities, and seek to reduce race and gender gaps in the technology sector.

These goals can be achieved through administrative action, and this initiative provides one venue for pay-for-performance contracting.

iii. Recommendation: Improve cooperation between the government, business, and universities to achieve economic growth

New Jersey's government should work with its leading universities and businesses to partners in growing New Jersey's economy and improving New Jersey's government. Suggestions include encouraging corporations headquartered here to hire New Jersey college graduates, coordinating the technology transfer offices at our research universities (as mentioned above), and hiring STEM graduates into state government fellowships.

The State could also partner with universities to create apps and other software solutions for government, which could then be commercialized for other public-sector purchasers.

IV. PRIORITY: INCREASE OPPORTUNITIES FOR BUSINESS OWNERSHIP AND ACCESS TO CAPITAL

The administration should work to increase all New Jerseyan's wages and improve their work environment. This can be done, in part, by increasing small business ownership. New Jersey has over 800,000 small businesses. There are nearly 253,000 female-owned firms, 64,000 African-American-owned firms, and 93,000 Hispanic-owned firms. While business ownership represents a significant opportunity for residents to contribute to their local economy, many small businesses believe that New Jersey is an unfriendly environment for them. Between 2004 and 2014, the state lost more than 9,500 of its smallest businesses (i.e., less than 10 employees). The Murphy Administration can reverse this trend by improving its services and creating a friendlier business environment.

Access to capital for small businesses is also deeply unequal. A US Department of Commerce report found that minority-owned firms are more than twice as likely to be denied for loans as white-owned firms, and receive smaller loans with higher interest rates when accepted.¹ To assess progress in these efforts, the state will monitor: small businesses (broken out by gender and ethnicity) and growth, diversity in business leadership, and percentage of state procurement to minority and women owned business enterprises (MWBES).

¹ Minority Business Development Agency's Disparities in Capital Access Report, 2010.

i. Recommendation: Assist entrepreneurs through programs such as one-stop business development centers and better software²

The State should support business ownership and risk taking through one-stop centers for legal and tax filings. These centers could be run as clinics in our state’s law schools.

The State should also review “economic gardening” programs in other states that help “Stage 2” businesses. It is not enough to promote starting businesses; it is also necessary to support owners as they develop and scale a sustainable enterprise.

Setting up one-stop centers can be done through administrative action and partnerships. Funding for development programs may need legislative appropriations. A study of Florida’s economic gardening program (GrowFL) found that their state invested roughly \$2 million each year, with a return of over \$7 for every dollar invested.

ii. Recommendation: Appoint a Chief Diversity Officer and modify state procurement policies to assist MWBEs

The Governor should appoint a Chief Diversity Officer (CDO). Conducting a disparity study should be one of the CDO’s first priorities.

The disparity study should recommend effective strategies for diversifying state procurement. This might include starting a “supply chain matching” website, which allows businesses to connect to local suppliers.

iii. Recommendation: Conduct a feasibility study on a Public Bank and explore other means to promote local access to capital

A proposed “Public Bank” in New Jersey—that could potentially offer loans to small businesses, local infrastructure projects, and college students—should be evaluated. The bank would use state deposits to finance local investments and emphasize the importance of making New Jersey’s money work for its residents.

The potential costs and benefits should be assessed in detail and compared to other strategies for improving local lending and streamlining our state’s incentive programs.

V. PRIORITY: ENSURE INCLUSIVE GROWTH AND ADVANCE ECONOMIC SECURITY FOR ALL NEW JERSEYANS

Although New Jersey’s growth potential is exciting, it must not be uneven. This administration should work to expand opportunities for all. New Jersey is the country’s seventh worst state for income inequality. Between 1979 and 2013, income for the wealthiest 1% nearly tripled in our state, while income for the other 99% grew by just 20%. Nearly 40% of households can be considered “working poor,” and basic expenses (e.g., education, healthcare, housing, childcare) have increased while wages remain stagnant. The state’s poverty rate has increased two percentage points since 2007 and New Jersey has the nation’s ninth highest supplemental poverty rate. This Administration can impact these trends through inclusive growth and reforming its support for those in need.

² Bots: <https://www.brookings.edu/blog/techtank/2016/06/07/streamlining-government-services-with-bots/>

i. Recommendation: Endorse legislation to enact a \$15 minimum wage, expand family leave insurance, and establish statewide earned sick leave

The Governor-elect is committed to a phased-in minimum wage increase, expanding and increasing the usage of family leave insurance, and allowing workers to accrue sick time to use when needed.

Family leave insurance reform should increase the eligibility period and raise the cap on reimbursements. This administration will also improve education and outreach efforts to increase usage of the family leave programs, especially among lower-income caregivers.

For more detail on these and related initiatives to help low and moderate income New Jerseyans, see the Labor and Workforce Development (LWD) transition report.

ii. Recommendation: Curb gender-based pay disparities

The National Partnership for Women and Families found that last year, New Jersey women working full-time lost over \$30 billion due to the wage gap. The governor should work with the legislature to enact laws that prohibit pay disparities based on gender discrimination. This may also include legislation that promotes pay transparency and prohibits employers from asking about previous salaries while hiring.

The administration can use administrative action to obtain reports from state contractors to make sure they comply with our equal pay laws.

More details on equal pay initiatives are in the Law and Justice and LWD transition report.

iii. Recommendation: Promote local hiring to reduce unemployment in our urban areas.

The State should encourage cities to enact and enforce “first source” ordinances. It should coordinate with anchor institutions to improve their local hiring and retention pipelines. One model is the Newark 2020 campaign, where Mayor Ras Baraka has partnered with private businesses and other organizations to improve models for local hiring and procurement.

The Department of Labor and Workforce Development should ensure that its workforce development training programs are working to reduce unemployment in these areas by preparing individuals for jobs that are in demand and equipping them with credentials that skills that are industry recognized.

iv. Recommendation: Improve public benefits programs (e.g., unemployment insurance, WorkFirst NJ, SNAP) to increase transitions to family-sustaining employment opportunities

The State should immediately review its anti-poverty programs and make sure that they effectively connect recipients to employment when possible. This assessment should also examine the ease of enrollment, usefulness of financial assistance and other supports, and connections between state programs.

The State should also reconsider harmful restrictions in their benefits programs and improve its Earned Income Tax Credit (EITC). The EITC helps over 600,000 New Jerseyans each year, but

often does not apply to low-income residents who are not raising children. The administration should consider raising the EITC to 40% of the federal credit and expanding its reach.

Although some changes—such as benefit amount and coverage, require legislation—the State can immediately take administrative actions to improve ease of access and connections between benefit and training programs. Expanding the EITC to 40% and increasing its scope would cost at least \$60 million annually.

v. Recommendation: Launch the Small Business Retirement Marketplace.

Today, only about half of New Jerseyans have access to an employer-based retirement plan—a crucial source of savings.

Although a state retirement marketplace was enacted in January 2016, the state has not yet launched this program. This administration should move forward on creating the marketplace website immediately.

vi. Recommendation: Support working New Jerseyans by meaningfully supporting organized labor and workers

The following recommendations are discussed in more detail in the LWD report, but are also noted here due to their importance for creating a fairer economy. They include:

- Enforcing employment and wage and hour laws
- Considering replacements for rolled-back federal overtime regulations
- Focusing efforts to protect those in domestic services and other caretaking positions
- Ensure that workers benefit from state contracting and incentive programs through use of prevailing wage rates

Co-Chairs:

Demelza Baer
John Ballantyne
Vivian Cox Fraser
Luis O. De La Hoz
Julie Diaz
Laurence Downes
Dr. Carl Van Horn

Deputy Policy Director:

Dennis Zeveloff

Committee Members:

Jeffrey Altschuler; Dhiren Amin; Paul Anzano; Ginny Bauer; Laurel Brennan; Charlene Brown; Mo Butler; Tim Carden; Vicki Clark; Linda Czipo; Malcolm Dunn; Marcus Dyer; John Franklin; Robert Garrett; Marly Gillis; Charles Hall; George Harms; Douglas L. Kruse; Zachary Lewis; Gordon MacInnes; Marcia Marley; Dee Marshall; Obie McKenzie; Gil Medina; Ajay Mookerjee; Ritzy Moralez; Gene Mulroy; Dean Paranicas; Ryan Peene; Anthony J. Perno; Deepak Raj; Gary Rose; David Rosenberg; John Sarno; Mike Skudera; Karen Brown Stovell; Bill Sumas; Michael Taylor; Reverend Joe Thelusca; Willie Mae Veasy; Robert Warrington; Neil Williams; Loretta Winters; Phillip Woolfolk.

The Governor, Lieutenant Governor, and the entire senior transition team staff greatly appreciate the immense amount of work, participation and expertise that all our co-chairs, committee members and deputy directors who staffed each committee provided since the transition began in November. This hard work and positive energy about how New Jersey can once again become a national leader has resulted in a robust set of recommended priorities and actions for the incoming administration to consider. As with any collaborative endeavor, many recommendations and opinions were expressed and debated during the committee meetings and the drafting of the reports by co-chairs, committee members, and Deputy Directors. The final reports may contain recommendations that do not reflect the concurrence of all co-chairs or committee members, nor of the organizations they represent. These reports are purely advisory and do not reflect the positions of the Governor-elect or any other elected official.