

EXECUTIVE SUMMARY

New Jersey In Transition: Growing the Economy in a Corzine Administration

Concerned that New Jersey has become less competitive in recent years in its business attraction and retention efforts, the New Jersey Chamber of Commerce commissioned a study to determine ways the state can drastically improve in this crucial area. The fact that New Jersey plummeted from 26th in 2003 to 44th in 2004 in the annual Beacon Hill Institute State Competitiveness Index sparked concern, prompting the study, “New Jersey In Transition: Growing the Economy in a Corzine Administration.” Chamber leaders have presented the study to Governor-elect Jon Corzine, hoping that his new Administration will implement many of its recommendations.

Kate McEnroe of Atlanta-based Kate McEnroe Consulting recently interviewed 30 decision makers from companies and third-party consultants who did not choose or recommend New Jersey for expansion or relocation. This study details perceptions and personal experiences of those who have tried to expand and/or relocate in New Jersey.

“One of the most significant findings among consultants is that many of them only perform in-depth evaluations of New Jersey in rare circumstances because in most of their projects the state is eliminated from consideration early in the process as non-competitive,” said McEnroe in the report. “New Jersey will never be a low-cost state. The study, however, raises a number of actionable items state officials can take to make it more competitive. Many of these changes have to do with process and the attitude of state and local organizations toward companies and their representatives looking to invest in New Jersey.”

Recommendations to make New Jersey more competitive include:

- **Reduce or stabilize costs imposed on employers such as taxes and permitting fees.** As mentioned, New Jersey is often not even considered by outsiders because of its high costs. For those companies already here, increasing taxes, permitting fees and other costs are often cited as the motivating factor to consider other alternatives. The state needs to do all it can to reduce spending and lower costs or there will be even fewer companies considering New Jersey as a viable option.
- **Enhance the level of site selection information available from the state and counties.** There is little information available to people who are evaluating the state, as compared to other states, especially via the Internet. Demographic data and information on major employers is sketchy, and site and building information was described as inconsistent. In

other regions of the country, state and local officials also organize fact-finding meetings between perspective companies/third parties evaluating the state and other employers, which is not the norm in New Jersey. Readily available information is key for those looking to make major investment commitments. It also results in a positive first impression, because often securing this data is the initial point of contact with the state.

- **Encourage the formation of regional development organizations and more public-private funding mechanisms.** Currently, with few exceptions, the state of New Jersey is viewed as a single homogenous entity with regard to its business climate despite its diversity. The current practice of using Core Based Statistical Areas or counties to define an area is not accurate because they do not correctly define labor market areas, commuting zones, or customer market areas. New Jersey is very diverse and each region needs to be highlighted and marketed better for potential investors.
- **Streamline state economic development and financing organization structures to provide single point of contact and single point of responsibility for project management.** A major frustration by those interviewed is that there is no one-stop shopping in New Jersey, as compared to elsewhere. People are frequently sent from office to office with no state officials taking responsibility for the assistance of projects. There is also a great deal of confusion regarding the missions of the state Economic Development Authority and the state Commerce and Economic Growth Commission, as well as a variety of other organizations involved in project assistance and financing. If New Jersey is to be successful, there needs to be a single point of contact to guide potential investors from start to finish through the site selection and expansion process.
- **Respond to projects on the company's timeline and commit to guaranteed response times.** As a general rule, state economic development officials throughout New Jersey do not appear to operate with the same sense of urgency that is present in other locations, nor do they want to assume responsibility for project management. The mindset of these officials should be to assume that the competition is meeting deadlines and that to miss one would eliminate the state or local area from the project. Response time for projects should be measured in hours and days, not weeks.
- **Increase in outreach by all levels of economic development organizations to corporate and consultant communities.** Virtually all of the companies and consultants contacted never received mailings, calls, or other forms of educational and marketing outreach from state or local officials. At the same time, there has been a substantial increase in outreach from Pennsylvania, Connecticut, New York, and even Massachusetts. Marketing is key in this competitive environment and the state needs to do a better job at promoting the state to potential investors.
- **Create an ongoing project tracking database and feedback program.** When trying to locate people to interview for the study, it was difficult to track down companies that considered or left New Jersey. There was also little cooperation from all levels of government. Keeping a readily available database is essential, because often the best information comes from those that did not choose the state.

Those interviewed also cited New Jersey's traffic congestion and its impact on distribution and employee commutes as a major concern. The permitting process at both state and county levels also needs to improve because it was cited as expensive, onerous, and very time consuming.

Although many challenges were cited by those interviewed, they did say there were many positives. They include: the state has a more favorable business climate than New York City, which puts New Jersey at an advantage when companies are deciding on the two locations; those looking to set-up shop here have the ability to interact with the pharmaceutical cluster; the quality and skills of the workforce is high; state incentive programs such as the Business Employment Incentive Program (BEIP) were cited as attractive (some indicated that recent changes to BEIP have made it less attractive because of the commitments required by companies); New Jersey has a better workers' compensation environment than surrounding states; and there are individual communities with reputations for being business friendly.

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The **New Jersey Chamber of Commerce** is a business advocacy organization based in Trenton. Created in 1911, the State Chamber represents its members on a wide range of business and education issues at the State House and in Washington, and offers programs designed to enhance productivity and reduce costs for its members. Please visit www.njchamber.com for more information on the State Chamber.

The **Platform for Progress** is a coalition of New Jersey businesses and organizations working in partnership with the New Jersey Chamber of Commerce. The coalition is dedicated to bringing solutions to long-term challenges our state is facing in six key areas, Economic Development, Education, Environment, Government Reform, Healthcare, and Transportation. The purpose of the Platform for Progress is to address "the big picture." We have identified over-arching challenges requiring long-term solutions. If successfully addressed through positive change, however, these solutions would have an enormous impact on state residents and employers. For more information, please visit www.platformforprogress.com.