

STATE OF NEW JERSEY

Department of State

Lt. Governor Kim Guadagno, Secretary of State

Opening Statement Before the New Jersey Assembly Budget Committee April 12, 2011

Good afternoon Chairman Greenwald, Vice-Chair Schaer, and distinguished members of the Assembly Budget Committee. Thank you for inviting me to discuss agencies under my purview as New Jersey's 33rd Secretary of State, and to answer questions on the Department's proposed Fiscal 2012 budget.

Before I go any further, allow me to introduce key members of my leadership team joining me this afternoon: Kathy Kisko, Assistant Secretary of State; Matt McDermott, Chief of Staff; Wendy Galloway, Director of the Division of Programs; Caren Franzini, CEO of the New Jersey Economic Authority; Trayce McDaniel, CEO of Choose New Jersey; and Linda Kellner, Acting Executive Director of the Business Action Center (BAC). I would like to respectfully remind the Committee that NJN, the New Jersey Commission on Higher Education and the State Library are in-but-not-of the Department.

One year ago I spoke of an ambitious new blueprint for the Department of State. At its heart was the need for a greater synergy between its traditional mission and New Jersey's larger economic development policy – all with the goal of advancing the State's superior quality of life. Today, we have a record of accomplishment across these areas touching every legislative district represented on this Committee.

Increasing business investment and job creation is a central priority of the Christie Administration and this legislative body. I would like to take a moment to highlight a few of the success stories our efforts helped bring about in districts represented here.

Chairman Greenwald, I am glad to announce that 90 new jobs were created and 260 more retained at Pinnacle Foods in District 6.

- Vice-Chair Schaer, 135 jobs created and 197 retained at Bind-Rite/Union Graphics, LLC in District 36.
- Assemblywoman Watson-Coleman, 60 new jobs created and 184 retained at Mednet Healthcare Technologies, Inc. in District 15.
- Assemblywoman Quigley, 70 new jobs created at Alice & Olivia LLC in District 32.
- Assemblyman Webber, 100 new jobs created and 325 retained at PNY Technologies, Inc. in District 26.

As these examples clearly indicate, the three-part New Jersey Partnership for Action is fully realized. Its three components are not only operational, but working together on a daily basis to make the State a home for economic growth, investment and entrepreneurship.

First part –

Choose New Jersey, an independent 501(c)3 led by CEO Trayce McDaniel and a board of leading corporate citizens, is raising the State's profile domestically and abroad. The State's core strengths are now promoted in a more effective manner than in years past. Our incentive programs are being marketed to business people by business people. Quite simply: The private sector now has a voice in economic policy. Job creators now have a seat at the table where their recommendations are heard and advice heeded.

Two examples bear mentioning and illustrate the wisdom of creating Choose New Jersey. The first was the recent NCAA East Regional Men's Basketball Finals in Newark. As an independent, corporate-run 501 (c)3, it has both the ability and resources to do things we cannot do in traditional state government. This includes using such a high-profile event at the Prudential Center as backdrop for marketing the State to prospective investors and relocation professionals. Thanks to the presence of Choose New Jersey, key discussions were facilitated and opportunities for further job growth maximized.

Another case will occur in June, when CEO Trayce McDaniel and the Board will host a dinner at the annual BIO International Conference in Washington D.C. As one of the world's premier biotechnology centers, it is only fitting that New Jersey assume a prominent role in its largest annual gathering. Without Choose New Jersey this would have been impossible. With it, the State stands to strengthen its already strong position as a leading light in biotechnology innovation.

Second part –

The Economic Development Authority, or EDA, has also benefited greatly from its presence in the Partnership for Action. Innovative incentive programs like the Business Employment Incentive Program (BEIP), Business Retention & Relocation Assistance Grant Program (BRRAG), the Urban Transit Hub Tax Credit Program, and the Economic Redevelopment and Growth Program are fueling the State's recovery by offering key financial and capital opportunities unmatched by competing states regionally and on a national level.

As New Jersey's "bank for business," the EDA provided \$518 million in financing assistance, incentives and tax credits to the State's business community in 2010. This included nearly \$65 million to small businesses and \$22 million for key manufacturing projects – two sectors critical to sustaining our positive momentum. In the twelve legislative districts represented on this Committee, total EDA assistance reached \$36.2 million in 2010. Not only

will this leverage over \$115 million in public-private investment, but it will support the likely creation of 985 new jobs and 473 construction jobs, in addition to the retention of 1,980 jobs.

I am fond of saying that the issue of economic development is not red or blue – it is green. Bi-partisan cooperation simply makes for effective economic development policy. We have a great illustration of this in the revised BRRAG legislation, A3389, signed by Governor Christie in January. Yes, BRRAG was effective – but we had to make it even better to match similar incentives in other states.

Together, we made it happen. The BRRAG incentive’s maximum tax credit now stands as \$2,250 per year for six years for every job retained in the State, as opposed to the prior \$1,500 per one-time for each job retained. The result? Fortune 500 companies like Honeywell International are reaffirming their commitment to the State, and potentially 10,000 jobs will now be staying in New Jersey.

I want to acknowledge and thank the primary sponsors of A3389 who sit on this Committee: Assemblyman Bucco, Assemblyman Coutinho and Assemblywoman Pou. The same goes for several co-sponsors: Vice-Chair Schaer, Deputy Speaker Burzichelli, Assemblywoman Bonnie Watson Coleman and Assemblywoman Quigley. I also applaud the work of Assembly Speaker Sheila Oliver, with whom I met at the beginning to set the stage for reforming the BRRAG incentive.

This same spirit of bi-partisanship continues to define the work of the ongoing Red Tape Review Commission to remove ineffectual and unnecessary regulatory hurdles to business growth. I want to take a moment to thank Deputy Speaker Burzichelli for his strong commitment to this issue. He was there from the beginning when we launched the Red Tape Review Group, and his knowledge and expertise continues to inform the work of the ongoing Commission. “Year One” witnessed a 66 percent decrease in the number of proposed regulations over the same period the year before, and I pledge we will only build on that progress in Fiscal 2012 and beyond. For example, last week the Governor signed EO 58 creating the Education Transformation Task Force to conduct a review of regulations that may be hurting the performance of our public schools. Of course, this began with the original Red Tape Review Group established the first week of the Christie Administration.

Third part –

The third and final component of the Partnership for Action is the Business Action Center, or BAC. Comprised of domestic and global business experts skilled in the areas of attraction, retention advocacy and state planning, the BAC essentially ties it all together by providing a “one-stop shop” to facilitate investment and job creation. This involves educating the business community on available financial incentives, and then matching a company’s specific needs with the ideal programs at the EDA and other agencies across state government. Time is money, and with the BAC taking the lead, the private sector can once more have confidence in the timely delivery of these critical services.

Each of you was invited to the Business Action Center “open house” in October to formally introduce its staff and discuss its mission. Since its inception, BAC staff has counseled 472 businesses on regulatory and other matters, and assisted 19,060 clients – mainly small businesses – through its call-center. Over the same period, it has issued 155 proposal letters to businesses of all sizes. This will potentially lead to the creation of over 24,400 new jobs and the retention of nearly 13,000 jobs. Of these, nine domestic “wins” have already come to fruition, creating almost 1,700 jobs and keeping over 2,000 more in New Jersey. This includes such industry leaders as Coca-Cola Enterprises, Drugstore.com, Oticon, and Alice & Olivia.

Another division within the Business Action Center contributing to the State’s economic recovery is Travel and Tourism. This is perhaps the best and clearest example of the fusion we created between the new and old Department of State. Tourism is the State’s third largest industry supporting nearly 310,000 private sector jobs. It provides over \$10 billion in annual wages and salaries, and generated \$7.2 billion in federal, state and local government revenue in 2010.

Simply stated – tourism is economic development and must be treated as such. Now that it is a focal point of the BAC, the people of New Jersey can be confident that it will be. It is also why we maintained key funding levels for tourism, the arts, history and culture. Today, I am pleased to report that prudent decision has welcomed real, tangible results:

- Tourism revenues reached \$35.5 billion in 2010, up nearly one-percent and marking the first increase since its pre-recessionary peak in 2007.
- Domestic visitation to the State rose 4.6 percent last year, led by an impressive 7.3 percent increase in leisure visits.
- New Jersey will once again benefit from a nearly \$3 million spring-summer advertising campaign encompassing print, television and radio on the air now.

Last week brought more great news, as TripAdvisor® announced the results of its inaugural 2011 “Travelers Choice Beaches” awards covering North, Central and South America, Europe and Asia. New Jersey’s own Cape May ranked ninth overall, and was one of only two American beaches in the top 10, trailing only Myrtle Beach in South Carolina.

The foundation is in place and the strategy is sound for tourism to not only reach, but exceed pre-recessionary highs in the coming years. Moreover, with our bold and ambitious plan for the renewal of Atlantic City moving forward, optimism is again palpable among New Jersey’s tourism stakeholders.

On the international front, the Business Action Center’s success has been equally notable. It has counseled 60 exporters and hosted 23 foreign delegations, with more being planned as I speak. While we are the fifth largest producer of wine, for example, we are quickly

becoming a leader in the export of wine to China. Vital economic and cultural agencies such as the New Jersey-Israel Commission have been re-launched under new leadership and a renewed vision. The BAC's global business experts are working more closely and collaboratively with the staff of the EDA and other economic agencies to offer more coordinated and streamlined services to current and future foreign investors. And by more effectively allocating existing resources, the State has gone from zero to two foreign trade offices serving the critical European and Asian markets to further enhance the State's reputation abroad. One is located in London, and the other in Shanghai.

Again, I am pleased to report to this Committee on the considerable economic benefits gained from these actions. New Jersey's total exports increased 18 percent for a total of \$32.2 billion in 2010. The BAC, in turn, has closed a total of 10 foreign direct investment projects from the United Kingdom, Italy, Germany and China that will create 377 jobs and spur \$52 million in capital investment.

Finally, the BAC is home to the New Jersey Motion Picture & Television Commission, which is responsible for promoting the State as an ideal film location for projects of all sizes. Despite the absence of a tax credit, filmmakers continue to choose the State as the destination for their work. Since January of this year, 67 projects have already been scheduled to film in New Jersey. This encompasses features, television series and specials, commercials, music videos, educational programming and documentaries.

Taken in its entirety, the New Jersey Partnership for Action has exceeded even the most ambitious expectations. Seven Fortune 500 companies have decided to remain and/or expand their operations here. Another 25 businesses either have already relocated or plan to relocate to New Jersey from competing states such as New York, Pennsylvania, Maryland, North Carolina and Tennessee.

Two specific success stories bear mentioning because they are not only timely and relevant to this Committee, but clearly illustrate how cohesively and effectively the Partnership for Action is working to make New Jersey a "home for growth."

Last Tuesday I was at Bayer HealthCare Pharmaceuticals in Wayne to celebrate a huge "win" for the Partnership and the entire State. Bayer, as you know, is staying and expanding in New Jersey. The Business Action Center learned last November that Bayer was considering a move out of New Jersey. We immediately reached out to Bayer.

Thanks to proactive outreach by the BAC and quick response by the EDA on available financing, Bayer HealthCare is not only staying in the State, but will consolidate its entire East Coast business in New Jersey. This means 500 additional jobs will be relocating here, bringing the total number of employees at its new U.S. headquarters to 2,200. Already home to 15 of the 25 largest pharmaceutical companies in the world, Bayer's decision will only strengthen the State's foothold in this crucial 21st century industry sector. Today and in years to come, New Jersey will continue to be the "Medicine Chest of the World."

Similar cooperation defined the Partnership's relationship with both PBF Energy and the Valero Refining Company, albeit this time in overcoming cumbersome regulatory hurdles. Last fall PBF entered into discussions with Valero regarding the purchase of its Paulsboro refinery, yet regulatory uncertainties created a lingering cloud over the entire process. It also did not help matters that time restraints for the major issue at hand – Paulsboro's Title V air permit – was very tight and required not only an EPA review, but also a public notice and a hearing.

Working quickly with DEP Commissioner Bob Martin and in conjunction with the EPA, a simultaneous rather than a sequential air permit modification request was performed; key deadlines were met; and the \$340 million deal was completed in December. Working together, New Jersey saved 500 jobs, and I was happy to celebrate this success at the time with Deputy Speaker Burzichelli. PBF is now not only an important employer in New Jersey, but the BAC is working hard to help them to further expand their presence in the State.

It was no coincidence that the Business Action Center was incorporated into the Department of State, as it was already home to economic engines of investment and job creation vital to New Jersey's larger prosperity. Leading the way are the arts and history – \$1.2 billion and \$540 million industries, respectively.

Maintaining key funding levels for the arts – \$16 million, history – \$2.7 million, and culture –\$500,000 was critical in Fiscal 2011, and it remains so for Fiscal 2012. As we continue to recover from the national recession, this support not only helps arts and history organizations weather the fiscal storm, provides the support structure necessary to nurture creativity and expand access to arts-related programming at decisive points in life for youth and seniors alike. Moreover, doing so only enhances the State's reputation as the ideal place live, work, and raise a family.

In Fiscal 2011, the New Jersey State Council on the Arts directly awarded 229 grants for \$15.6 million to arts organizations and projects statewide. Another 546 local organizations were helped through funds granted to the State's 21 County Arts Agencies. In the districts represented on the Committee, the Arts Council awarded 71 grants representing \$9.7 million for the current fiscal year alone.

The same holds true of critical funding provided by the New Jersey Historical Commission. For Fiscal 2011, it awarded a total of 93 general operating and project support grants totaling \$2.6 million to support historical organizations, venues and educational programming statewide. This includes 41 grants for nearly \$905,000 in legislative districts represented here today.

The return on investment for these dollars is staggering. In the case of the Arts Council alone, State funding helps support over 34,000 events annually that attract more than 10 million people. These events, in turn, drive a statewide arts industry that accounts for 82,000 jobs across 21,000 arts-related businesses. Most impressive of all, the State's \$16 million

investment returns \$41 million in tax revenues to Trenton. You would be hard pressed to find a more effective or prudent use of taxpayer dollars.

Our financial support the past two difficult budget cycles illustrates this Administration's commitment to the State's arts community and its stakeholders. I am also pleased to report that a regular audit by the non-partisan Office of Legislative Services (OLS) has found that the grants process is sound and compliant with all uniform state policy, procedures and standards. We expect a final audit soon.

We have been told by OLS, however, that they had some concerns regarding the procurement of professional services by the State Council on the Arts. Specifically, the auditors found irregularities in the awarding of two contracts under the Council's "Arts Inclusion" program. The Department of State was informed of the issue and we subsequently found a third questionable contract for "Arts Inclusion." This new information was immediately forwarded to the auditors upon discovery. Combined, these contracts exceeded \$300,000 and were awarded to a sole contractor. These were not publicly bid nor were state procurement practices followed. As this Committee is aware, the Department of State has no authority over the actions of the Council. However, given the concerns raised by OLS, the Department sought and obtained the voluntary return of a large percentage of these dollars.

The Council is meeting today and it is my hope that they will act swiftly to address these issues. I look forward to working with them and the legislature to provide my office with oversight authority to cure these problems. Our Arts Council and the work it does is a jewel and we need to ensure its future.

Maintaining thriving arts, historical and cultural industries also provides an economic infusion to our towns and cities. They can sustain hotels, restaurants, shopping malls, parking garages and other businesses for generations and provide the foundation for any viable urban renewal effort. We have seen this in places like New Brunswick and Newark, and I assure you it will play an instrumental role in the Administration's determined plan to revitalize Atlantic City.

Here in Trenton, the State Museum and Planetarium continue to set new standards for educational and interactive programming. The coming months will witness the Museum finalize plans for a comprehensive, year-long exhibition in remembrance of the 10th anniversary of the 9/11 attacks. New Jersey lost 677 of its own on that day, and the Museum's work will be a fitting tribute to the life, work and dreams of those who perished and to the strength and perseverance of family left behind. We look forward to working with Assemblywoman Bonnie Watson Coleman to effectively make the exhibit a destination for those who have nowhere to reflect on the tragedy of 9/11. We will continue to seek collaborative partnerships in the future with businesses and interested parties to enhance the appeal of the Capital City.

Another key aspect of the Department of State's renewed mission is to promote and advance civic engagement. That is exactly the responsibility of both the Division of Elections

and the Division of Programs, and I am proud to report to this Committee that they have done so skillfully in Fiscal 2011.

Members of the Committee may have notice an increase of \$12 million in the proposed Department of State budget for Fiscal 2012. This appropriation is for the Division of Elections to provide necessary funding and operational support to the counties for New Jersey's 2012 presidential primary. Voting is our most cherished and fundamental right as Americans, and therefore everyone in the State must have the utmost confidence in the accuracy, fairness and transparency of the process for every election at every level. Our 5.2 million registered voters deserve nothing less. As New Jersey's Chief Election Official, I promise that is exactly what they will receive – in Fiscal 2012 and for however long I am honored to serve as Secretary of State.

The same is true for promoting the important work of the Division of Programs, which consists of the Office of Volunteerism, the Martin Luther King, Jr. Commemorative Commission, the Office of Faith-Based Initiatives and the State's many cultural heritage commissions. I am pleased to announce to the Committee that the Center for Hispanic Policy, Research and Development will be integrated into the Division of Programs, which will only strengthen its already impressive cultural portfolio. The transfer of the Center will be complete after the OLS audit is finished.

Two brief examples showcase the diversity of the Division's work. The Foster Grandparent Program provides mentoring support and role models to young people statewide at critical moments in their lives. This could include serving at one of thousands of local organizations – including Head Start Centers, schools and other youth facilities. Then there is the ongoing implementation of the Project ATLAS pilot program in Paterson by the Office of Faith-Based Initiatives. A joint venture with the U.S. Department of Health and Human Services' Administration of Children and Families, the initiative provides funding to enhance the capacity, sustainability and self-sufficiency of 20 faith-based organizations serving low-income communities.

There has been a recurring theme I hope you have noticed in my comments this afternoon – a commitment to heightened productivity, increased efficiency and cost savings across the Department's scope of operations. This is the impetus behind the ongoing effort to privatize the Veterans Memorial Arts Center (the War Memorial) – a process moving forward expeditiously.

When complete, the privatization will welcome \$750,000 in total cost savings. The Department of State has worked with the Treasury on a request for proposal (RFP) that is currently posted on their website, with final bids due April 27. We were encouraged that at a pre-bidders conference and mandatory site visit, a total of nine well-known and highly regarded vendors participated –

- Global Spectrum
- Aramark

- The Hub
- Waterford Venue Services
- Waterford Hotel Group
- Lafayette Yard Development Corporation
- Meridian Property Services
- Richard Fox – Hamilton Holding
- AA Duckett

We are looking for an effective start date of July 1, 2011 for the privatization plan, and I look forward to reporting back to the legislature in due course.

As you can see, it has been an eventful year for the Department of State. Last year I pledged to make it a model of efficiency and effectiveness in state government. Today, we have a record of accomplishment that has made New Jersey stronger and more prosperous. The blueprint has been established, and the path clear for greater progress in Fiscal 2012 and beyond.

Thank you for affording me the time and opportunity to offer this testimony. I will now be happy to entertain any questions that you may have.