Opening Statement
Senate Budget and Appropriations Committee

Chairman Sarlo, Members of the Budget and Appropriations Committee...the New Jersey Economic Development Authority (EDA) appreciates the opportunity to testify today to provide you with an update related to our efforts to grow the State’s economy and help carry out Governor Murphy’s vision for a stronger and fairer New Jersey economy.

Last October, Governor Murphy unveiled a comprehensive economic development plan to reestablish New Jersey as an economic and innovation leader, where opportunity exists for all residents to build economic security.

The plan seeks to achieve several key goals by 2025, including: leading our Northeastern peer states in both job growth and median wage growth, doubling venture capital investment to build the nation’s most diverse innovation ecosystem, significantly closing racial and gender wage and employment gaps, and building thriving and inclusive cities with more jobs and lower poverty.

With the Governor’s strategic plan as our guide, the EDA is hard at work in partnership with numerous state agencies to advance the initiatives and strategies outlined in the plan that will help our State achieve these goals.

The Governor’s plan is centered on the need for New Jersey to reestablish its historical leadership position in the Innovation Economy by focusing resources and investment on high-growth, high-wage sectors where New Jersey either has a competitive advantage today or can be reasonably expected to have one in the future. Before there was Silicon Valley, there was New Jersey, and with smart, targeted investments in people, communities and innovation, we believe we can once again lead in this space.

Recapturing our leadership position in Innovation, requires a comprehensive approach, which is why efforts underway at our sister agencies are so critical to
the Governor’s strategy. The Department of Labor & Workforce Development is leading vital efforts to spur apprenticeship programs and foster connections between industry and workforce development efforts. The strategic plan for Higher Education released by Gov. Murphy and Secretary Zakiya Smith-Ellis in [March] is a key tool in the effort to revitalize our economy. And initiatives like DOE’s Computer Science for All will help create the next generation of innovators here in New Jersey.

The newly-reestablished Commission on Science, Innovation, and Technology and the Office of the Chief Innovation Officer within the Governor’s Office are also important partners, and we look forward to working with them to bolster New Jersey’s innovation economy.

One of the most important components of Governor Murphy’s economic development plans aims to reverse a trend that has hampered the state’s growth in the last decade — a significant decline in the amount of venture capital being invested in growing New Jersey companies. As recently as 2007, New Jersey ranked 5th nationally for venture capital investment; by 2017 we had fallen to 15th. The proposed Innovation Evergreen Fund would use tax credits in an innovative way to foster partnerships between large companies, start-ups, and private venture capital which we believe can be a game-changer for the New Jersey Innovation Economy.

Within the EDA, our recently-established Office of Economic Transformation (OET) is charged with developing and implementing initiatives that will enhance the State’s competitiveness within key sectors, including clean energy, advanced manufacturing, and technology and life sciences.

Over the last year specifically, the OET has introduced a number of new sector-specific programs and initiatives which are already helping New Jersey gain traction in these important sectors.

In the Technology and Life Sciences sector, long-standing EDA resources specific to this industry have recently been supplemented by a new program called NJ Ignite, which provides rent-support to startup companies locating in an approved incubator or collaborative workspace. EDA has also made funding available to drive local, innovation-centric planning through the Innovation Challenge
Program, which has resulted in 14 municipalities and counties being awarded funding to undertake plans for various approaches to driving innovation at the local level, including incubator development and smart infrastructure.

In the clean energy sector, with support from the Legislature and the Governor, EDA has established the Offshore Wind Tax Credit - a powerful incentive that provides reimbursement for capital investment made in offshore wind-related facilities. More recently, EDA introduced the NJ Offshore Wind Supply Chain Registry that will connect investors exploring offshore wind-related projects in New Jersey with Jersey-based companies for potential partnership opportunities.

These new programs represent only a portion of the work OET is doing to advance initiatives across each of these sectors, and we look forward to more exciting developments to announce in the coming months. EDA also continues to be part of the public-private partnership leading the development of the New Brunswick Innovation Hub. As predevelopment work continues on the project, we look forward to playing an important role in what will be a landmark in New Jersey’s reestablishment as a lead in the innovation economy.

In order for our state to reclaim its place at the forefront of innovation, we must also better leverage our state’s advantages and diversity as it relates to making New Jersey’s case for international trade and foreign direct investment. To that end, the Office of International Trade and Investment (OITI) has been established within the EDA to foster sustainable job growth and innovation by widening New Jersey’s global reach and supporting international trade and investment. This includes ensuring foreign investors have access to the range of services they need to successfully establish their business in New Jersey.

Governor Murphy’s economic development strategy also recognizes the critical role that small and medium-sized businesses play in our state’s economy. Data shows that these businesses represent approximately 98% of all businesses in New Jersey and are responsible for more than 50% of employment in the state, so creating an environment where small businesses and entrepreneurship is supported, particularly among groups that have been historically underrepresented, is paramount.
In recognition of this, EDA has created a new Small Business Services team that is dedicated to working closely with New Jersey’s entrepreneurs and small businesses, with a focus on minority, woman, veteran and LGTBQ-owned businesses. The Small Business Services team is regularly in attendance at small-business focused events across the state to speak directly to business owners and organizations to gather feedback and find out what the needs are and where EDA can assist.

Some of the feedback EDA has collected from small businesses and related organizations has led to the development of several new small-business focused programs, including an expanded **Small Business Lease Assistance Program**, which provides funding to help small business make lease payments for new or additional space in targeted communities, and the **Access Program**, which uses more flexible criteria to make EDA financing available to a wider range of businesses, with a focus on small, minority, women and veteran-owned businesses.

With support from the Legislature, we have also partnered with the African American Chamber of Commerce of New Jersey to create the **Small Business Bonding Readiness Assistance Program**, which makes technical assistance and support available that will better position small, minority, woman and veteran-owned firms to bid and work on public and state contracts. Moving forward, EDA is currently working with Community Development Financial Institutions on ways to strengthen our partnerships and provide resources that will expand their capacity to assist and lend to small businesses.

A stronger and fairer economy also requires investment in cities, downtowns and communities that have historically suffered from underinvestment and geographic and economic isolation. This includes investments in mixed-use, transit-oriented development that reactivates historically significant properties and abandoned brownfield sites. These investments, in addition to the Governor’s commitment to rebuilding NJ Transit, are steps we can take today to benefit all New Jerseyans and ensure our state’s economic competitiveness for generations to come.

An important part of how EDA supports investment in communities is through our ongoing work with the Department of Community Affairs and the New Jersey
Redevelopment Authority to ensure New Jersey is leveraging the federally-established Opportunity Zone incentives to drive investment in targeted areas of the state and utilize this powerful investment tool to its fullest potential. EDA’s efforts here include building an online marketplace where investors can identify Opportunity Zone sites for potential investment, and an Opportunity Zone Challenge that will make funding available to help boost local community-based capacity in financial and technical planning.

The Governor’s economic plan has also has identified the cleanup and redevelopment of brownfield sites as smart planning that will allow New Jersey to meet its goals for economic growth and put contaminated, vacant, and underutilized sites back to productive use and reduce the development pressure that drives sprawl.

To drive brownfields remediation and redevelopment, the EDA has worked with the NJ Department of Environmental Protection (DEP) to develop resources and investment tools tailored to brownfields sites. This includes the creation of a new Brownfields Loan Program that will make low-interest bridge financing available to those who seek to remediate brownfields sites, and the EDA’s investment in DEP’s Community Collaborative Initiative, which will enable DEP to embed staff in a wider range of targeted urban areas facing complex environmental issues, to foster the communication, relationships, and insights necessary to open pathways to successful environmental remediation and redevelopment of contaminated sites.

Another new program that will help to reinvigorate cities is the New Jersey Film and Digital Media Tax Credit Programs, which the EDA was pleased to launch thanks to the support of the Legislature and the Governor. New Jersey has a rich history as the birthplace of the film industry and unrivaled diversity in both geography and people, and we now have a powerful tool that is already attracting major television and motion picture production to our state that will create new jobs, promote diversity and inclusion, and generate economic activity in communities throughout New Jersey.
Importantly, we are also making overdue investments in the people, processes and systems we need to ensure that whenever the taxpayers of New Jersey make an investment of public resources via tax credits or other supports, they get what they were promised. The audit ordered by Gov. Murphy and the ongoing work of his task force have identified critical areas of needed improvement within the EDA, and we are committed to being best-in-class when it comes to accountability and transparency in our tax incentive programs.

The Governor’s Economic Development plan recognizes the critical role that financial incentives can play in a sound economic development policy – but importantly, we believe that incentives should be a tool in service of a broader strategy.

In addition to proposals for new programs to advance redevelopment of brownfields and historic properties, as well as the Evergreen Fund, the Governor has proposed two additional incentive programs – NJ Forward and NJ Aspire.

NJ Forward is a capped, job-creation tax credit program that will enable New Jersey to remain competitive with our neighboring states while targeting growth in high-wage, high-growth sectors including life sciences, information and high tech, clean energy, advanced manufacturing, advanced transportation and logistics, finance and insurance, and food and beverage.

NJ Aspire is a capped, place-based gap financing tool to help generate investment in commercial, residential, and mixed-use projects, with a focus on cities, downtowns, and suburban neighborhoods served by mass transit. Because Aspire is a competitive program, EDA will have the ability to ensure that taxpayers realize a strong return on their investment by comparing projects to identify those that are most impactful and development-ready.

As we move ahead in 2019, the EDA looks forward to working closely with the Governor, Legislature and other stakeholders to advance programs and initiatives to catalyze a stronger and fairer economy that benefits every resident, community and business. Thank you for the opportunity to testify today, and I am happy to answer any questions you may have.