
Committee Meeting

of

ASSEMBLY SPECIAL COMMITTEE ON ECONOMIC DEVELOPMENT

"Testimony on economic development efforts"

LOCATION: Committee Room 11
State House Annex
Trenton, New Jersey

DATE: October 7, 2010
10:00 a.m.

MEMBERS OF COMMITTEE PRESENT:

Assemblyman Albert Coutinho, Chair
Assemblyman Upendra J. Chivukula
Assemblyman Wayne P. DeAngelo
Assemblyman Joseph V. Egan
Assemblyman Louis D. Greenwald
Assemblywoman Mila M. Jasey
Assemblywoman Nellie Pou
Assemblyman Gary S. Schaer
Assemblywoman Linda Stender
Assemblyman John S. Wisniewski
Assemblyman Anthony M. Bucco
Assemblyman Joseph R. Malone III
Assemblyman David P. Rible
Assemblyman Scott Rudder
Assemblyman Robert Schroeder
Assemblyman Jay Webber



ALSO PRESENT:

Edward P. Westreich
Office of Legislative Services
Committee Aide

Francisco Maldonado
Assembly Majority
Committee Aide

Thea M. Sheridan
Assembly Republican
Committee Aide

Meeting Recorded and Transcribed by
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ASSEMBLYMAN ALBERT COUTINHO (Chair): Good morning, everyone, and welcome to the Special Assembly Committee meeting that hopefully will be an important first step to a stronger New Jersey.

I have the honor of chairing this special panel, and I look forward to a productive day on behalf of our State and all its major shareholders, including its businesses and workers. To start, I'd like to thank Assembly Speaker Sheila Oliver for taking this initiative and focusing on the single most important issue facing the State of New Jersey, and that is job creation and putting New Jerseyans back to work.

And to all my colleagues who are here today, welcome. I look forward to working with all of you in a bipartisan fashion to do what's best for the State of New Jersey. We all know that things can get testy here under the golden dome, and unfortunately we continue to see partisanship on display in recent months from both sides.

Some of it is based on legitimate disagreements of philosophies and viewpoints on what is best for the State of New Jersey. But whatever it is, I hope today can be a fresh start in addressing economic development issues and job creation for the State of New Jersey. We know that there are many issues facing our State: from property taxes, to affordable housing, to health care, to education reform. I have supported many of the government reform initiatives that we have handled on a bipartisan basis and will continue to do so. But it is our job here today to look at: How do we grow the State's economy and create jobs? Unemployment sits stubbornly at 9.6 percent, and the Federal Reserve has certified that New Jersey's recovery

will likely be slower than other states -- reports out today say that New Jersey businesses are less optimistic than they were this spring.

This is not a partisan issue, ladies and gentlemen, this is not a political issue. This is an issue about New Jersey and its economy. I know that we all love this state and want what's best for it. Let's proceed with that spirit in mind. I will do my best to make sure that we move forward together. We need to find out what State businesses and job programs are working and what needs to be improved. We need to hear from stakeholders. We need to hear from these businesses and ask them what can we do to help them invest and expand their businesses here in New Jersey, and allow them to quickly invigorate our economy so that it can flourish and create jobs. We need a creative jobs program that will help lift New Jersey out of this recession and make it more affordable for everyone.

We have brought together members from various Assembly committees here today. And, again, I want to congratulate the Speaker for understanding that the issue of economic development is interrelated. So today we have members here from the Assembly Budget Committee, from Commerce and Economic Development, Financial Institutions and Insurance, Labor, Telecommunications and Utilities, and the Transportation committees. This is, without question, a great cross section of the Assembly.

I, and I know you as well, hope to hear discussion on many issues today, including what tax breaks and incentives for businesses can be put in place that will help promote expansion and job creation, what rules and regulations continue to be burdensome and need to be either modified or eliminated. How do we promote jobs in the area of renewable energy or

green jobs? How do we control health insurance costs that burden businesses and employees? Whether corporate governance laws need tweaking to make the State more competitive with neighboring states, or what Federal assistance may be available to help invigorate our economy and put people back to work. What role can tourism play in the economic recovery? There are many questions. And I think we begin to see where bringing different committee heads together, between Chairs, Vice Chairs, ranking members from the Republican side, we can hopefully come out of this with some ideas that will generate legislation and help us get on the right foot.

Economic development and recovery from this recession is a complicated issue, and it involves all sectors. We need to listen. We need to listen to the people out in the fields. There are no Democratic or Republican solutions. We need to hear from people who work every day, and get their insight into what we need to do to move forward. Coordination is critical if we are to develop a successful and effective integrated economic development plan. And that is our goal with this hearing here today; nothing else.

My hope actually is that this will be the first step toward cooperatively creating a state-of-the-art and innovative economic development plan that will put New Jersey at the forefront of the United States. And it is my hope that we will do this together in the spirit of bipartisanship and to do what's best for our constituents, the residents of the State of New Jersey.

Again, thank you. I look forward to a productive hearing.

I believe Assemblyman Malone has an opening statement as well.

ASSEMBLYMAN MALONE: Thank you very much, Chairman Coutinho, and more directly, Speaker Oliver, for convening this hearing today. Our task is to address the issues that are facing our State's economy, and the lives and futures of all New Jerseyans.

We must create an environment that makes government work for people. We must give businesses the cooperation, freedom, and tools to build our economy's road to the future. Government must show businesses that we can be a partner, not a plague. The old ways of taxing and regulating businesses into extinction must stop with us. We must join with the Christie Administration and their economic team in a bipartisan effort to find a solution.

We are blessed with some of the most brilliant minds and the most innovative companies in the world, and yet we falter. The question is: Why? Have we put politics before people, greed before prosperity, and bold words with no deeds? We owe it to the business community and residents to give them the hard, truthful answers about our failures to lead in a time of crisis. The business community and residents in New Jersey must be given proof that we will implement all governmental tools that are needed to lower taxes, contain growth, and provide government services as efficiently and effectively as companies in New Jersey do every day.

I look forward to hearing from the business leaders who will help us lead New Jersey back to better times. And I believe today is just the beginning. And I sincerely hope Governor Christie, Speaker Oliver, Senate President Sweeney would continue today's important work with smaller

working groups to tackle the tough issues. The future of our state rests in the hands of business owners small, medium, and large, who have had the courage to build a future for their families and thousands of families around the state. For all of our sakes, let's give them everything they need to lead us out of our economic worries.

Thank you, Mr. Chairman. I congratulate you personally on holding this. I think that maybe, hopefully some of the information that comes out of this can really lead to some truly bipartisan and significant work in recovering our economy.

Thank you.

ASSEMBLYMAN COUTINHO: Thank you very much.

Actually, so anxious to get at what I think will be a rather lengthy day going, we forgot to do the roll call. So let's go with the roll call.

MR. WESTREICH (Committee Aide): Assemblyman Webber.

ASSEMBLYMAN WEBBER: Here.

MR. WESTREICH: Assemblyman Schroeder.

ASSEMBLYMAN SCHROEDER: Here.

MR. WESTREICH: Assemblyman Rudder.

ASSEMBLYMAN RUDDER: Here.

MR. WESTREICH: Assemblyman Rible.

ASSEMBLYMAN RIBLE: Present.

MR. WESTREICH: Assemblyman Malone.

ASSEMBLYMAN MALONE: Here.

MR. WESTREICH: Assemblyman Bucco.

ASSEMBLYMAN BUCCO: Here.

MR. WESTREICH: Assemblyman Wisniewski.

ASSEMBLYMAN WISNIEWSKI: Here.

MR. WESTREICH: Assemblywoman Stender.

ASSEMBLYWOMAN STENDER: Here.

MR. WESTREICH: Assemblywoman Spencer. (no response)
Assemblyman Schaer.

ASSEMBLYMAN SCHAER: Here.

MR. WESTREICH: Assemblywoman Pou.

ASSEMBLYWOMAN POU: Here.

MR. WESTREICH: Assemblywoman Jasey.

ASSEMBLYWOMAN JASEY: Here.

MR. WESTREICH: Assemblyman Greenwald.

ASSEMBLYMAN GREENWALD: Here.

MR. WESTREICH: Assemblyman Egan.

ASSEMBLYMAN EGAN: Here.

MR. WESTREICH: Assemblyman DeAngelo.

ASSEMBLYMAN DeANGELO: Here.

MR. WESTREICH: Assemblyman Chivukula.

ASSEMBLYMAN CHIVUKULA: Here.

MR. WESTREICH: Chairman Coutinho.

ASSEMBLYMAN COUTINHO: Here.

Thank you very much.

All right, so our first person to testify today is someone who needs no introduction -- but from the EDA and representing the Administration -- Caren Franzini.

Caren, welcome. Please come forward.

C A R E N S. F R A N Z I N I: Good morning.

ASSEMBLYMAN COUTINHO: Good morning.

MS. FRANZINI: Thank you, Chairman, for having me be before this very critical and important panel. It's a great opportunity to speak before this new Committee, and I thank you and thank Assemblywoman Oliver for holding this Committee hearing here today.

There is a nonpartisan issue in New Jersey, and it's called *jobs*. It's the number one issue, and it's the reason why this Committee is being held today. One out of every 10 workers are unemployed. We need to do everything as a team to focus on job retention and growth. I come from Atlantic City originally. I was born there, my family had a family owned business there. And my father would always say -- it was a retail store -- and he would always say, "It's far, far easier to keep the customer you have than to get a new one." It's easier to keep and retain companies than to attract new ones. So we're very focused in the Administration, and I know it's important to you. You have great companies in New Jersey. We have to keep them, and we also want to attract new ones to our state.

I want to briefly describe three areas, very briefly, of what the Administration is doing to handle that issue of retaining and attracting companies. First, Governor Christie has made it very clear to each and every member of his cabinet and to me that nothing matters more than jobs. That is the number one issue and the number one top priority. For example, as you all know, Commissioner Martin created a newly formed Office of Economic Growth and Green Energy at the Department of Environmental Protection. This is the first time where DEP actually set up its own office to deal with economic development. As part of that, too, I go to meetings every week with the Commissioners of DEP, DOT, Treasury,

Labor, DCA, Agriculture -- depending on what the issue is with a company -- as the team is working together to work with businesses to stay in New Jersey and come into the state.

Second, the bipartisan effort headed by Lieutenant Governor Guadagno for the Red Tape Review Commission is critical. The message out to the business community is that this State is seriously taking regulations as the number one issue; that we have to get rid of the ones that don't work and make it more streamlined to do business in our state. The continuation of that through the executive order and through new legislation is critical to tell the business community that we're downplaying -- rationalizing the regulations in our State.

We need to show the business community that we're rationalizing regulation, lowering our taxes. The 2 percent cap on property tax is critically important for the business community. And I know they look forward, and towns look forward, to seeing the tool kit passed with that.

The third area I want to mention is the Partnership for Action. You've heard from Lieutenant Governor Guadagno about our new approach to business creation in the state. The Partnership for Action is led by Lieutenant Governor Guadagno and has three components: One is the newly formed Business Action Center, referred to as BAC. It's in the Secretary of State's Office -- all the elements of businesses, both domestic and global, that want to stay in New Jersey or come to New Jersey -- as a first point of contact. And they're their ambassadors to ensure that they work through State government. The second is Choose New Jersey, which is a privately funded organization. Many times when I've appeared before

economic development committees here in the Legislature, a big issue is: We don't promote New Jersey; New Jersey doesn't have the funds to promote New Jersey the way we need. So these private sector companies have banded together. They will be doing the promotion of New Jersey, serving as business ambassadors, as well, to retain and keep companies in our state.

The third component is EDA, the State's bank for business, in charge of managing many of the State's incentive programs.

I also want to say that we've had some results. The Governor and the Lieutenant Governor have a business calling plan. They're calling businesses every day to both stay in New Jersey and come into our State. These are critical calls that are being made from CEO to CEO to help business expansion in our state. Just to name a couple, Intrasphere Technologies -- 180 high-tech jobs moved from New York City to Jersey City. Westen (*sic*) Pharmaceuticals decided to stay in New Jersey and create 175 new jobs. They will have 500 Watson employees in Parsippany. Diversified Industries, in Woolwich, in Gloucester County, is doing a \$5 million expansion of their manufacturing facility. Also, in Gloucester County, SSM Industries is moving from Philadelphia to Gloucester County, again to create new jobs. And last week I was in South Jersey, along with Assemblyman Greenwald and others, to talk about Pinnacle Foods, which also decided to stay and expand in New Jersey. The Lieutenant Governor and the Assemblyman were both, I think, very happy about Pinnacle Foods deciding to stay and expand in New Jersey.

So we have things happening. It's not easy. There are a lot more changes that are needed going forward. The Partnership for Action,

working together with the Legislature -- we will see things -- changes occurring.

I noted earlier that the Governor and Lieutenant Governor are speaking every day to businesses and hearing some of the concerns. One of the concerns we hear most from businesses to retain them in New Jersey is that we don't have enough incentives to retain jobs. We have a bill on the books today affectionately known as BRRAG, or the Business Relocation and Retention Grant program. It's a one-year program -- tax credits -- to retain jobs in New Jersey. To be quite frank with you, it has not been very successful. We have not had a lot of wins from the program, because it's just one year. Quite frankly, it's not enough of an incentive. When a company is looking at New Jersey versus looking at another state, another state is offering lots of money, because these are all new jobs for another state. We have to keep the jobs in New Jersey.

Last night, I believe a bill -- a proposed bill was sent to the offices of the Legislature, which talks about changes to this bill. A couple key components: One, it changes it from a one-year to a six-year incentive. The second key component, which I know is important to all of us, is the budget impact. The current bill -- the program is at \$20 million. It remains a \$20-million-a-year program. So we're not increasing the dollar value.

Second, we're adding into the bill -- which I know is important to the Legislature as well -- a test that we ensure -- we call it the *net benefits test*. It was introduced under the Urban Hub Program and the ERG program two years ago, and it's something we want to carry forward in this program. The net benefits test ensures us that we do the fiscal analysis --

that the amount of fiscal benefit New Jersey is receiving is greater than the fiscal benefit given to the individual business.

This is not going to be the silver bullet to make every retention work, but we need another tool in our incentive tool box. We think this is a very good incentive tool and makes sense to keep businesses in New Jersey. And I ask the Committee to seriously consider this, when you review the bill, as something to support in a bipartisan way to show the business community -- especially businesses in New Jersey today -- "We care about you. We want you to stay here."

So with that, Chairman, that concludes my-- I wanted to keep it brief. I know you have a lot of speakers today. I thank you for giving me the opportunity to come before your Committee.

ASSEMBLYMAN COUTINHO: Thank you.

Questions?

Assemblyman Schaer.

ASSEMBLYMAN SCHAER: Thank you, Chairman. Thank you for your leadership here this morning.

Ms. Franzini, one question: The incentives that one can offer to businesses to come to New Jersey are certainly very well done and, in many cases, extraordinary. The question I have is: How does one compete with incentives to maintain businesses? It would seem to me that other states could be that much more aggressive with the possibility of bringing new businesses from Jersey to their shores. But how does one equal those incentives?

MS. FRANZINI: Assemblyman, I couldn't agree with you more. In fact, that is why, today, I'm talking about a bill that you're just

going to see hopefully in the next day or so. It's something to enhance our business retention program to make it, instead of a one-year program, a six-year program -- as a tax credit program to enhance the incentive. So we're doing that.

We're also-- I think the other changes that are taking place in the state are also critically important. I think property tax -- it's important for businesses to know that they have a (indiscernible) property tax payment going forward. I think as we look at our personal income tax, look at our Corporate Business Tax, look at DEP forming an Office of Economic Development within the office (*sic*)-- So I think there are a lot of issues that have to be addressed. But from a pure incentive point of view, I agree with you. We do not have the tools today. And I think the proposal greatly enhances what we have on the table.

ASSEMBLYMAN SCHAER: If I may, Mr. Chairman.

ASSEMBLYMAN COUTINHO: Sure.

ASSEMBLYMAN SCHAER: If I may ask: Within those tools, New Jersey -- one of New Jersey's abilities, historically, has been its pointing to its educated workforce. Within those tools, is there consideration being given to that educated workforce in how to ensure that it continues to be at the top?

MS. FRANZINI: Two things: One, our Department of Labor, as you know, has a very good program for -- customized job training program, which is definitely part of our tools when we looked at retention.

The other thing I think we need to do a better job of when we're talking to companies, when we're meeting with them, is meet directly with representatives of higher ed. We have some great higher ed

institutions, both from a community college point of view, as well as our four-year institutions. And we need to have a better connection, when we're talking to all of our businesses about the connection, with the higher ed community to make sure that as people graduate, they stay in New Jersey and work at New Jersey firms.

ASSEMBLYMAN SCHAER: But isn't that part and parcel also of the need to look, for the long-term, in terms of ensuring the quality of that educated workforce? To ensure that, in fact, our higher ed institutions are capable of accepting as many students as possible, keeping those students in New Jersey -- rather than the 30,000-plus who leave each year to be educated outside -- and also to ensure their viability and survival in terms of additional funding, bonding, whatever needs to be done for them to expand their resources on the one hand and, on the other, offer the kinds of courses that, in the 21st century, are necessary?

MS. FRANZINI: I think the Governor also agrees with you that this is a high priority, which is why he's asked former Governor Kean to have the Kean Commission specifically look at higher ed, because it is so important to the future of our state. And I look forward to the Kean Commission report. I know they're spending a lot of time talking to a lot of educators and businesses to come up with a road map of how we move forward. That's not my area of expertise. I know it's an important part of the tool box. But people with that expertise, and Governor Kean in particular, are doing the work in that area.

ASSEMBLYMAN SCHAER: And the last point, if I may, on that issue of higher education: Is it your assumption that within that tool box we'll be providing the resources to our community colleges, four-year

colleges, graduate schools to do the job, or are we simply going to be having encouraging conversations?

MS. FRANZINI: I think what's important is to have a plan and a strategy, and then you fund it accordingly. And I look forward to the Kean Commission report to give us the road map -- to all of us -- to say, "What do we need to be doing better to enhance our higher ed programming?" We have strong two-year and four-year programs, and master's, and Ph.D.s, and how we can make them even stronger?

ASSEMBLYMAN SCHAER: Thank you so much.

Thank you, Mr. Chairman.

ASSEMBLYMAN COUTINHO: Assemblywoman Stender.

ASSEMBLYWOMAN STENDER: Thank you, Mr. Chairman.

Thank you for convening this.

Good morning.

MS. FRANZINI: Good morning.

ASSEMBLYWOMAN STENDER: And welcome.

MS. FRANZINI: Thank you.

ASSEMBLYWOMAN STENDER: And thank you for all that you do and your dedication, professionalism, and service -- long service to the State of New Jersey.

You are clearly at the epicenter of much of what goes on in terms of the economic activity in this state. So my question for you, as somebody who has always learned that the investment in our transportation infrastructure is key to our economic development: What do you suggest we should be doing about the fact that our Transportation Trust Fund is just about defunct and that, I'm sure, the Governor is probably going to be

delivering a devastating blow when he kills off the Tunnel, which will mean the loss of 6,000 jobs? I mean, if we're going to have streamlined things, and take the steps, and make the improvements that we all agree need to be made, we still need to be able to move people, goods, and services around the state. And our infrastructure is crumbling and people are sitting in gridlock. So I'm very interested in specifics in what you've proposed that should be done to deal with our funding issue for transportation.

MS. FRANZINI: Well, I think as someone wise once said, talk about what you know most about-- I know most about financing businesses in New Jersey, not most about financing transportation, Assemblywoman. So I unfortunately cannot directly answer that question, because that is not my area of expertise. I know the Governor has asked Commissioner Simpson -- that is his expertise -- to address that issue. And I think he spoke before the legislative committees saying he is working on that plan and will present it to the Legislature.

It is a critical component, no doubt, of business retention and attraction -- to ensure we have the infrastructure in place and funded appropriately. And, again, I'm not the expert in that field and sure will -- I will make sure that the Commissioner is aware of your question.

ASSEMBLYWOMAN STENDER: I'm sorry to hear that you don't have some specific suggestions, because I think that that's really what we need. The Governor's made it clear, and the Administration has made it clear, he is not willing to support a gas tax. So if this is an important piece to businesses, which it is, and which you know it is and hear from your circle it is, I am interested to know what people suggest we should be doing

about it, other than just killing off existing projects and losing \$3 billion in Federal dollars.

On a separate subject, the other issue I hear a lot about from businesses, and homeowners with our housing issues, is the issue of money being available and the fact that the banks aren't lending. Is that something you can speak to in terms of giving us suggestions of what we can do here at the State to help facilitate that, so business could have access to the funds that they need?

MS. FRANZINI: Actually, we have a President of a regional bank here in the audience. And I actually spoke with the Bankers Association on a panel last week. And I believe banks in New Jersey -- and the EDA has partnered with many banks in New Jersey to provide access to capital -- small business and businesses in general. The real issue facing the business community is that they're hurt. They don't show -- many of them -- the cash flow to be able to repay loans. And the key is: You don't want to lend someone money unless they can show the cash flow to pay the loan, because then we're going to go into a bankruptcy. No one wants that.

So the key is: The economy is in a tough condition right now. It's in very tough shape. And we can only lend money -- we only should lend money to a business that can show the ability to repay the loan. With the budget that got approved -- the Fiscal Year '11 budget -- the Legislature and the Governor reinstated the Main Street Program, which is a partnership program for small business lending with banks in New Jersey. We now have funding available to that program. We're talking to banks. So I believe part of the issue is not just the funding, the issue is the condition of many small businesses in New Jersey -- they're skittish -- and

it's national, it's not just New Jersey -- about what's happening in the national economy. Should they borrow money? Is this the right time for them to borrow and to have more capital expenditure when they're not sure where the future revenues are coming in? So it's more of a cash flow revenue issue for businesses than -- as much as access to capital.

ASSEMBLYMAN COUTINHO: Assemblyman Malone, followed by Chivukula.

ASSEMBLYMAN MALONE: Thank you very much, Mr. Chairman.

For the members here who have not had the opportunity to work with Caren Franzini, I'm going to tell you it is a pleasure. The dynamic leadership she has provided over both Democratic and Republican administrations has been outstanding. I've had the opportunity to work with her, and I'm currently working with her on some business retention issues. And she's active, she's engaged, and she's highly respected in the business community in New Jersey. And she will bring whatever tools are necessary that she has available to her to work with businesses. So I would urge fellow legislators and anyone in the room who-- If you want dynamic leadership, you just call up Caren, and she will provide truthful, honest responses and a dedicated effort to working with your business, and retaining your business, and building your business. And I've had a high regard for Caren for many, many years, and it only gets higher.

Caren, I want to thank you for the work we're doing currently together, and I want to thank you for all the work you've done over the many years you've helped in that office that you're in.

Thank you very much.

MS. FRANZINI: Thank you, Assemblyman.

I only wish my mother was sitting by me. (laughter)

ASSEMBLYMAN COUTINHO: That was an excellent question, Assemblyman Malone (laughter), and I agree with that statement. Assemblyman Chivukula.

ASSEMBLYMAN CHIVUKULA: Thank you, Mr. Chairman.

Caren, it's always good to see you. I echo the comments made by Assemblyman Malone. It is, indeed, a pleasure. I've been working with you for almost 9-and-a-half years now. We've worked in various areas in the energy sector.

I have two questions. One question is that -- you may not have the answer, but I don't expect you to have the answer. But I think New Jersey, as a State, chose to go with the deregulation under the EDECA Act in 1999. There was an energy master plan that came out in 2008. And the current administration -- board reviewing the energy master plan-- And one of the things I'm not sure -- not clear -- because I don't have the output yet-- There are opportunities -- there are many, many opportunities that are there, because some of our policies can be updated so that way we can attract businesses -- not only attract businesses, we can -- more importantly, we can retain business in the State of New Jersey. So I just want you to be-- I don't know whether you can answer that. What is being done in the board as part of the hearings, or whatever they're doing? How are we going to create those jobs by looking at those policies that can be better? Because you don't have to create them. Many other states have some of the policies that -- we can adapt some of those policies.

MS. FRANZINI: I've attended-- I was on a panel with one of the -- they're having several public hearings from stakeholder groups with the energy master plan.

And, Assemblyman, you're definitely on target -- is looking at some of the other states on: If you're giving some credits to installing energy efficiency, and if you buy from a New Jersey manufacturer, do you get more credits and should that be there? So I know that issue is specifically being looked at as we speak. Looking at other states, looking at best practices of how it works-- Because, again, you're right. It relates back to jobs. How do we both keep businesses here by lowering their energy costs and having enhanced energy efficiency so we can keep jobs; and how do we attract manufacturing jobs? And I think that's part of the Wind legislation that the Legislature and the Governor signed into law -- was both about bringing the wind industry here and, more importantly, bringing the manufacturing jobs that go along with it. So I think we're all on the same page about jobs, and the energy piece is a big, important piece of that.

ASSEMBLYMAN CHIVUKULA: Mr. Chairman, I think one of the things-- We have not built a new power plant in the last, I don't know, 25, 30 years. And I'm sure this Administration is open to building a new power plant that can create some jobs for the State of New Jersey. I think by changing certain policies, we can make it happen. So I just want you to take that message back to the Administration.

The other question I had was about the New Jersey Commission on Science and Technology and the Manufacturing Extension Program. I do understand. I agree with the Governor that we don't have the money. But since the Commission has not been disbanded, it's under

your jurisdiction now. Are we going to have some meetings? Because I'm a sitting Commissioner. And I don't want them to just eliminate it because it's a nonfunctioning board or Commission. Because I think the New Jersey Commission on Science and Technology was initiated under Governor Kean many, many years ago after the blue ribbon panel study, and has been able to return \$30 for every \$1 that the State has invested. And especially we are -- in order for us to make use of the highly skilled labor workforce, we need to create high-paying jobs. And the New Jersey Commission on Science and Technology, through various programs -- whether it's the incubator program, whether it's the technology research fellowship program -- able to create those jobs. And I just want to make sure that we have some meetings.

I know you don't have the budget. That's the next question you'll ask me. But I think it should not cost that much. If you're going to have the meeting, I will bring coffee and doughnuts for the meeting.
(laughter)

MS. FRANZINI: Thank you for the friendly reminder. We will call a meeting, Assemblyman.

Thank you.

ASSEMBLYMAN COUTINHO: Any other questions? (no response)

A few, Caren. First of all, let me reiterate, of course, what Assemblyman Malone has said. It really has been a pleasure the last two-and-a-half years, since I've been in the Legislature, to work with you on a host of economic development initiatives.

Let me state that-- You made a comment earlier that the State of New Jersey does not have enough incentives to help retain and actually attract businesses to the State of New Jersey. And I want to go down that road a little bit. And being constructively critical of the budget that we passed -- and I'm often reminded in my district that it was a budget I voted for -- and, again, trying to be constructively critical, we cut a series of tax credit programs and incentives which I believe is a mistake. Some of those -- I know that there are studies going on. Can you tell us where we are with the UEZ analysis, and with the analysis for a revised film and digital media tax credit program?

MS. FRANZINI: Thank you, Assemblyman.

And I just want to, if I could, clarify my statement. I think I said from the Business Retention Program that it's not -- I don't believe it's enough by having it as a one-year program -- the current program -- the BRRAG program -- which is why I support the extension to a six-year program. So if I could just set the record straight, I -- but the tape may have it differently, and you may be correct.

In terms of the update: As everyone is aware, in the budget, the Legislature and the Governor asked EDA to undertake several studies. Two of the programs that are currently under review -- one is the film tax program, and the other one -- Assemblyman Chivukula -- net operating loss program for tech companies. We have engaged the NJIT School of Business, and they're currently doing an evaluation of those programs for us. And so that evaluation is not yet complete. We've recently engaged them, and so that study is undergoing. As a result of that study, we'll have recommendations to the Administration and to the Legislature about those

programs: both their effectiveness, as well as whether or not any changes are needed to them.

In terms of the Urban Enterprise Zone program, we issued an RFP and received, just recently -- this week, I think -- four responses to the RFP to review the program. That's a larger program, more extensive program.

I know we'll be reaching out, Assemblyman, to key legislators, key mayors, key stakeholders -- have the consultant reach out -- to understand from people what they think now, in running the program, what's working and not working. Also, we're going to be asking them to look at best practices from other states. The program has been around even longer than I've been in New Jersey doing economic development. So it's been around a long time. And I think any program of that length really needs to be looked at and see how we can enhance it, how we can make sure it's effective. Is there a better way to keep businesses in our urban centers?

ASSEMBLYMAN COUTINHO: So is the timeframe the end of the year?

MS. FRANZINI: I would say the timeframe is the end of the year, early January.

ASSEMBLYMAN COUTINHO: Okay. You had mentioned Partnership for Action. I also wanted to commend, publicly, the private corporations who have stepped up to help form Choose New Jersey. But I'm curious, what tools does Choose New Jersey have? Let's say a key executive like Dennis Bone goes to another company. What is he selling to these people, and what are their tool kits? We hear a lot about tool kits in

New Jersey. I'm trying to see if we can focus on getting some economic development tools. Will you tell us a little bit about what can Chairman Bone or other people -- other executives who are volunteering to be part of this-- What are they basically offering other companies, together with the Lieutenant Governor? And what is it that maybe we can do, as a legislative body? What tools should we be working on to give him to be able to attract businesses?

MS. FRANZINI: So last week I called up Dennis Bone and said that we have a major company that we would like to attract to New Jersey -- to North Jersey -- to a big city in North Jersey. And they're looking at whether or not they would stay in New Jersey, expand in New Jersey, move to another state. I called him to talk, CEO to CEO -- for him to say that he has Verizon New Jersey, in New Jersey, with thousands of employees in our state and how important it is for him to be here. The tools that we talked about with the company-- There are some great tools in our urban centers. We're looking at the Urban Hub Tax Credit. And I think that's--

ASSEMBLYMAN COUTINHO: That's a great piece of legislation, by the way. (laughter)

MS. FRANZINI: A great piece of legislation, Assemblyman.

And I think that will be important for this company that is looking at some urban centers to locate. So I think we will utilize either that tool or the BEIP program, or hopefully the new BRRAG program which we think is critical to retain companies. We have some really good tools in our tool box. We're looking to enhance some of the tools. But we will be the bank side of it -- to have the tool box together. The Lieutenant

Governor will be coordinating all the State agencies to talk about how we work together as a team; and Choose New Jersey, Dennis Bone, and others will be making that CEO to CEO call saying, “We’re here, we’re committed to New Jersey, and we think you should be too.”

ASSEMBLYMAN COUTINHO: You had mentioned there’s a new BRRAG, and I’m happy to see that, because I believe it was insufficient. You talked a little bit about BEIP. How does it compare to other states, again, in terms of attracting companies? And there will be more BEIP than BRRAG, correct? BRRAG is more to retain companies here. Can you tell us: How competitive is BEIP, and is it really an effective tool to help Chairman Bone and the Lieutenant Governor to bring companies here?

MS. FRANZINI: BEIP continues to be an important incentive tool. We’re constantly-- The one thing the EDA does is always look at all of our financing programs: How can they be better? How can we enhance it? We talk to the business community. They give us ideas on how to change it, how to make it work better for them. But the BEIP program continues to be a critical tool in the tool box for attracting companies to our state.

But I think as we look as a State, incentives are a piece of it, they’re an important piece. But, again, I just want to stress that it’s a whole picture of New Jersey. We really want to change the whole picture. And I think when we talk about the property tax cap, when we talk about income taxes, when we talk about DEP, we’re talking about the whole of New Jersey, the culture of New Jersey, and that’s so important. Incentives are an important tool, but they’re a piece of the whole puzzle.

ASSEMBLYMAN COUTINHO: I agree.

And we do have a long day, so I just have one more question. And, of course, we'll continue our dialogue in the months ahead. We had some critical legislation in June of 2009 -- the Stimulus Act of '09. Can you talk a little bit about how that's going, specifically Urban Transit Hub Program and ERG? How are those programs being received within the economic development community?

MS. FRANZINI: When the changes were made to the Urban Hub Tax Credit Program, we had -- I think we had one or two, maybe, interests before that. And when the changes were made, there was tremendous more interest. I think we have around 9 or 10 companies and projects that we're working on. Again, these are large scale. They're over \$50 million and above. And so in these tough economic times, to have that many is critically important. And we can, through the Chair, provide you with an update of those that have been approved by the EDA Board.

The ERG program -- we've approved three major projects: a supermarket in Somerville; a hotel in Elizabeth; and a third one that I'm forgetting off the top of my head, which we'll get back to you as well. We're looking at the ERG program like we're doing with all our others to see: Is it working right? Does it need to be enhanced as well? But I think these -- we're talking to a lot of companies. The issue is: We're in a tough economic environment, so making large capital expenditures, businesses are really thinking twice, as we said earlier -- small business as well as large companies. But we have a lot of interest in them now more than ever. So there are a lot of businesses that we're talking to with both programs.

ASSEMBLYMAN COUTINHO: Assemblyman Webber.

Thank you, Caren.

MS. FRANZINI: Thank you, Assemblyman.

ASSEMBLYMAN WEBBER: Thank you, Chairman.

Just a couple of comments.

I want to thank Ms. Franzini for her hard work at a crucial time in our State's history.

MS. FRANZINI: Thank you.

ASSEMBLYMAN WEBBER: Keep it up. There are better days ahead, I know it, right around the corner.

A compliment to the Chairman. I know we -- I think we joked about this yesterday even -- the vote you cast in June in favor of the budget was not -- might not be the most popular in every aspect, in every neighborhood of your district, but that was the kind of bipartisan cooperation and spirit that moves this State forward. And I think it will go down as one of the most important things that you do in your career in trying to turn the State around. And I think you should be complimented for that act of statesmanship.

In the spirit of constructive criticism, I would just point out I think everyone on our side of the aisle agrees that higher education, strengthening our system of higher education is an important priority for economic development. I would point out that there are four bills sitting in committees that could be sitting today and being voted on that would strengthen our higher education system: a couple that would improve our institutions' ability to collectively bargain with their employees, one that would improve the tenure process for a public employee -- or I should say public institutions' professors, and another sitting in the Financial

Institutions Committee that would allow colleges and universities to improve their pooling of risk. All of these measures that are part of our proposal for reforming government and reducing property taxes are sitting in committees that would have sat today, but those committees were canceled so we can come here and talk.

And I appreciate the desire to talk about these ideas. What I think the people in New Jersey want is action. And when you have the opportunity to move important pieces of legislation that can have a direct benefit to the people of the State of New Jersey immediately, I think we're obliged to take action and not talk about it.

So for my part, I appreciate the sentiments of wanting to discuss these ideas. I think we have a road map to prosperity. I think we have what the Governor's called a *tool kit* for property tax reform. And I would urge the Speaker and the Majority party respectfully to convene the committees that can act on them instead of canceling those meetings to do things like this.

And immediately after today, I'm sure that we will get down to the business of reforming property taxes in this state instead of talking about ideas that, frankly, are all fine ideas but have been around for a decade or more. We know what we need to do to get New Jersey working again. The first thing we need to do is cut property taxes, and I hope we get to that just as soon as possible.

Thank you, Mr. Chairman.

ASSEMBLYMAN COUTINHO: And, Assemblyman Webber, if I may, let's be very clear. Ms. Franzini even said that the number one issue the Governor says within his cabinet is jobs. We have not seen any

job creation initiatives moving forward. And it's my role as Chair of Commerce and Economic Development that, to the extent I have a say, we force the issue within my caucus, within my party, with State government -- that we focus growing the state economy.

Government reform is important. But let's ask the person who is unemployed, "Is getting to work tomorrow more important than your property tax bill in 2012?" I think so.

So what we need to hear-- While some ideas may be around for a decade, we need to ask people such as Caren Franzini which program is working well. How do we change it? The Administration is bringing a change forward with BRRAG. We need to ask businesses, "What do we need to change to help you grow the economy and create jobs?"

So, respectfully, I agree. We need to move forward on property tax reform, and I believe that there is plenty of commitment on the Democratic side of the aisle to do that. But we need to focus more, it's my constructive analysis, from both the Legislature's side and the Administration, on moving the economy forward. Government reform is very important, and it's a piece of that. Transportation infrastructure is a critical piece of that, higher ed, all of these things are important. We need to hear from the stakeholders what do they feel -- it's not what we feel -- what do they feel we need to do to move the economy forward and create jobs.

But I will tell you I agree that we need to move on these other reforms as well, and I think we're going to do that.

All right. Since we do have a long agenda, any other questions for Ms. Franzini?

Assemblyman Rible.

ASSEMBLYMAN RIBLE: Thank you.

Just a very quick statement. I'm going to jump on the Joe Malone wagon as well and commend you, and your office, and your staff.

MS. FRANZINI: Thank you.

ASSEMBLYMAN RIBLE: You guys, in the past three months, have salvaged two businesses -- very large businesses and one manufacturing business in my district -- that has turned them around and allowed them to stay. So that message has to get out that you guys are putting people to work and doing a good job. So I just want to commend you guys for your work.

Thank you.

MS. FRANZINI: Thank you.

ASSEMBLYMAN COUTINHO: Assemblyman Schroeder.

I'm sorry, Rudder. I apologize, Assemblyman Rudder.

ASSEMBLYMAN RUDDER: And I don't take offense, Mr. Chairman. (laughter)

Ms. Franzini, thank you very much for coming today. And also thank you very much for agreeing. You're coming to my district next -- two days from now.

MS. FRANZINI: Yes.

ASSEMBLYMAN RUDDER: I hold a monthly businessperson's roundtable. We bring in guest speakers, and Ms. Franzini has obliged us with her presence in being able to talk to the business community in Burlington County.

One of the things you hear about in Burlington County and just across the state is the regulations, and the taxes, and the difficulty from a planning perspective. Trying to put together a business strategy for three to five years has been a big challenge, mostly because businesses don't understand what's coming down the pike. I mean, we have changes coming on the Federal level, we've had changes coming down the State level. For the past eight years we've seen significant increases in taxes and regulations. I think that's a big contributor to the fact that we have the highest unemployment rate of any of our sister states across the region. Connecticut, New York, Pennsylvania, Delaware, Maryland all have a lower unemployment rate than New Jersey has.

So as you are out and talking to your peers in other states, what do you factor in -- factor into -- what's the number one cause for the fact that New Jersey has the highest unemployment in the area?

MS. FRANZINI: Thank you, Assemblyman. I think there are a number of issues, and some of them you already summarized. But when we talk about retaining and attracting jobs, we have to address property taxes, we have to address our tax structure for corporate taxes and income taxes, we have to address a regulatory environment.

When you talk to businesses, their top two issues are taxes and the regulatory environment in New Jersey. They're key. Businesses need to know -- have stability of what is going to be before them as they decide to grow and stay in their state, and they need to know it's affordable. So we want to be from number 50-- We don't want to be at number 50. We don't want to have that tag anymore. We want to be in the top 10, number 1 eventually.

We are a high-cost state, and we need to work together to figure out: How do we stabilize our property taxes, and how do we make them sure? How do we look at our tax structure? And the Red Tape Commission, which is bipartisan, has a great step. When we talk to some of the publications that have put us at 50 -- when we talk about the Red Tape Commission, how it's bipartisan, how it is already cutting through regulations -- key. And we talk to businesses about it. They want to know they have less-- They want to know that -- we all want to know that our environment is protected, that our roads work well, but we want to do it in a way that makes business sense. So it's putting the--

That's why I said the incentives are a piece of this, but it's really the whole picture of New Jersey as a state. And I think, hopefully, that's what this Committee -- and that's what we're going to move forward with. The Governor is out there talking about it all the time. We're getting some good vibes, finally, about New Jersey. And people are saying good things about our state. We have major name companies like Coca-Cola that have decided to stay in our state. We have to send that message over and over again. The businesses are deciding to stay here, and we need to keep moving forward.

Sorry for being on the soapbox, but I think it is a whole picture, Assemblyman, as you're stating.

ASSEMBLYMAN RUDDER: Thank you.

ASSEMBLYMAN COUTINHO: Thank you.

Assemblyman Greenwald, followed by Assemblyman Schroeder.

I'm sorry; you were done, correct, Assemblyman?

ASSEMBLYMAN RUDDER: Yes, sir.

ASSEMBLYMAN GREENWALD: I'm sorry, guys.

Thank you.

Caren, thank you for being here with us today. There was an article yesterday in South Jersey that started: "The recession is over, but how long will it take for the economy to bounce back?" And two companies in South Jersey -- Camden -- that have been around for decades and do business all around the world, were still in the position of laying people off and yesterday laid off a combined 142 local workers in our community.

The one company is Georgia-Pacific. It's one of the world's largest manufacturers of wallboard. They will be dropping 80 workers in its second round of layoffs. The company is located on the Delaware River Waterfront. It provides wallboard for both residential and commercial construction, and it has been a long time now since they've seen an uptick in that industry. The cuts have left just 10 workers on that site, which is obviously a skeleton crew, just to keep the doors open with the hope that the economy turns around. The second company, which is familiar to many of us in a bipartisan fashion-- L-3 Communications -- laid off 62 workers who were highly educated and experienced engineers. Together between the two companies, they have laid off 300 people in the last nine months.

What do we do? These are world-recognized companies. They do work nationally for us. They are housed in our state. They are impacted by this economy. What can your office do, one, to reach out to them and help in this transition? What incentives do we have to help especially the one company, Georgia-Pacific, that's down to a skeleton crew to stay open? And what can we do-- I've taken some-- I've tried to do what I can to

stimulate the housing market. I know some of my friends, like Joe Malone, in a bipartisan effort after the veto override failed last week, came to me and said, "Let's take another shot at this. Let's see if there's another way to do it." I'm open to that.

But what can your department do? Clearly the housing market is instrumental to the success and the economic vitality of this state. When you see a state like ours that is hemorrhaging manufacturing jobs, and you see an area where we can't afford to lose manufacturing jobs again cutting back, what are you doing at this point in time, again, to help these companies in this transition; but too, to help stimulate this key market in this state? Because this is where jobs are linked.

MS. FRANZINI: Well, of my examples of wins, Assemblyman, too, I had a number that are in South Jersey that are new jobs created. So it's always going to be a balance. We were with Pinnacle Foods, and they decided to stay and expand in New Jersey. L-3--

ASSEMBLYMAN GREENWALD: And you're right, and we are excited about the 90 jobs we preserved. But as long as we-- It's clear that Dr. Rosen has done an excellent job of testifying before this Committee. He has tremendous respect in both parties. He has indicated now for the last 18 months that we are going to be treading water until the economy, which is so closely linked to housing markets -- that there has never been a recession that has started without a decline in the housing market, and there has never been a recovery. You're now seeing the impact of these companies that are directly linked to it, like George-Pacific, down to a skeleton crew. Another company, Carl Harz, a family owned furniture store, is closing its doors in Vineland, New Jersey.

We're thrilled about 90 jobs. We've lost 300 in just these two companies in the last nine months. I understand the balance. What we're trying to do is-- How do we stimulate it? How do we, one, protect these companies from closing their doors completely? What can we offer them from the State to prevent them from turning the lights out? And what can we do to directly impact what seems to be an inability to stimulate the housing market and job growth surrounding it, which links to all of these opportunities?

If you don't have an answer right now, that's fine.

MS. FRANZINI: No, no, I think I'm hesitating because it's not just one answer. So it's a host of--

ASSEMBLYMAN GREENWALD: Well, if it was that simple, we wouldn't be here, right?

MS. FRANZINI: If it was that simple, we wouldn't have the Committee here today.

ASSEMBLYMAN GREENWALD: Right.

MS. FRANZINI: There is -- and I'm looking forward to hearing the feedback -- and we'll be listening in to the hearing -- about what some of the other business leaders in New Jersey have to say.

There are several factors going in. One is the overall national economy. As their sales decline nationally, they don't have as much business, so they're downsizing. It's a national phenomena. The companies are right-sizing. They're doing more with less. And this is just happening in the national economy. So there is not much we can do when a company this size -- of having 300 jobs, and having 250 and doing the same work,

and having people work harder. That's a phenomena that's just happening for companies as a whole.

ASSEMBLYMAN GREENWALD: Caren, you're right.

On that point though, it's a-- The economy is not limited to New Jersey. We've said that for years. The budget crisis that faces New Jersey is not limited to New Jersey alone. But what concerns me is the same comment I made last week, and what I heard the Chairman make today: that the national Federal Reserve is saying that while the rest of the country is coming out of the recession quicker, New Jersey faces a bigger challenge. We don't have the benefit that we had through the tragedy of the early part of the decade, where we were a place that the financial markets wanted to relocate after the terrorist attacks in New York.

So, you're right, there is a national problem. But the country is rebounding quicker than we are. And so to your point, right. But we're seeing the market rebound in Pennsylvania, and Delaware, and New York, and Connecticut quicker than we are. And that's our competition. We're losing market share. What can we do to change that direction?

MS. FRANZINI: I was getting there.

ASSEMBLYMAN GREENWALD: Okay.

MS. FRANZINI: The other thing is, as I said to the Assemblyman, we need many things. We need to look at-- We need to make our property taxes work. They need to be stable, and they need to be secure. As a businessperson, you know that as well. We need to look at our corporate taxes and our income taxes. We need to look at our regulations. It is the whole-- When we talk to businesses, they go through and compare us to other states. And it's our overall tax picture of doing business in New

Jersey that's a key issue. It's our overall regulatory environment. And then we look at our incentives.

The bill before you today that was just sent -- talks about retaining jobs in New Jersey -- is a piece of that overall package. The Lieutenant Governor and I actually went to L-3, met with L-3, and visited their facilities, because it is such an important company in Camden and in South Jersey. We talked to them about what we can do to enhance their staying in New Jersey. So we're continuing that vein with those.

But I think it's a holistic approach that we need to take -- New Jersey -- to enhance our business environment for businesses to stay and grow here.

ASSEMBLYMAN GREENWALD: Caren, you know, one thing on the-- You're right on the tax base. We need to be stable. Are we looking at all-- I mean, I've asked this question for years. We don't ever really get a clear answer. When we see studies, we spend approximately the same on local governments as our competing states. But do we look at all at the tax structure? Because I think the lack of stability is really that we have an overreliance on property taxes. Nothing that we've really talked about is changing the dynamic of the overreliance on the most regressive tax. We're looking at reforming that overreliance. So are we-- When you-- You've been asked before: Are you talking to your peers around the country? If that is what you reference, have you talked at all about, "Gee, why are you relying so much less on local property taxes, yet spending roughly the same as we are? How are you doing it? Spending the same, less on this one regressive tax."

MS. FRANZINI: So, Assemblyman, I think when -- as part of the Administration, my role is to look at: How do we look at the business incentive and financing the businesses? And that is my expertise, and that's where I look at national models. Just as the Commissioner of DOT has their focus on the roads, the Treasurer is looking at the overall tax issues. And I think he is better to address the question on taxes than I.

ASSEMBLYMAN GREENWALD: Okay.

MS. FRANZINI: I'm really focused on the incentive piece and the financing to businesses -- of my expertise. But we're working as a team.

ASSEMBLYMAN GREENWALD: Okay. I think we have to start overlapping a little bit.

MS. FRANZINI: I mean, it's not that I'm not talking, but the research and the expertise--

ASSEMBLYMAN GREENWALD: Got you.

MS. FRANZINI: The research and the expertise -- we're talking all the time. I met with the Treasurer last week, and we were talking about these issues. So we're definitely talking. But as he said, "Caren, you're doing the reviews on incentives," which we are doing. But we're talking to each other as we work through these issues.

ASSEMBLYMAN GREENWALD: Well, we know how busy everybody is, but they've all been invited to come. Unfortunately, you were the only one who could make it. I don't know why that is, but we thank you for being here.

MS. FRANZINI: Thank you.

ASSEMBLYMAN GREENWALD: My last question, Chairman, is-- You know, one of the things I hear constantly that is a

major impact in the business community staying, as well as relocating, as well as attraction, is the massive cost of energy in the State of New Jersey. We rank fifth in industrial; we are 81 percent higher than the national average. Commercial: We are fourth in the country; we are 45 percent higher than the national average. Residential: We are the fifth highest in the country, and we are 41 percent higher than the national average.

I don't know if this is your expertise, but the reality is that we've dabbled in wind energy. It's 60 percent more costly. I don't know where we are with that or what our next steps are.

And then another area that I'm concerned about because, in these tough economic times, tough choices were made -- but you were very instrumental with the Clean Energy Program that was cut dramatically, and was a lure to help drive, again, an area that we've lost manufacturing jobs in, where we are one of the leading producers of solar energy. Solar energy is 40 percent more costly. And we have now taken a dip back because, I think, of the decision that we made because of the tough economy that we face.

Any insight on how we can reverse that trend, maybe looking at keeping that money in, attract these jobs back? And, again, I think, when we're talking about job creation, these energy costs -- they are significant.

MS. FRANZINI: A couple responses: One, we meet regularly -- talk about partnership -- with BPU and DEP to talk just about that issue with the Lieutenant Governor -- on energy costs, and looking at both the energy as an industry for manufacturing, as well as a cost for doing business.

A couple things: We now have a solicitation that just ended for funding for cogen facilities, which are for larger users, which is really

important because that is a good way of reducing your cost of energy and putting in cogeneration. So we worked with the BPU on having a program that we just got a number of solicitations from businesses to install cogeneration.

We also are working with BPU on a program for next year on re-upping the funding for manufacturing for energy companies so we can have the manufacturing jobs here in New Jersey, and also producing it at a lower cost.

So there are a number of-- And, again, Lee Solomon, President Solomon, is the better person who is overseeing the (indiscernible) Clean Energy master plan. But, again, I will tell you we meet regularly with them, have some new programs that are already out on the street, and others that we're working on for the end of the year, early next year.

ASSEMBLYMAN GREENWALD: Caren, I will just close with this: Again, I really think joint efforts are critically important right now.

MS. FRANZINI: I agree.

ASSEMBLYMAN GREENWALD: So I would be welcome to meeting with you, Mr. Solomon, as well as our Commissioner of Health. One of the areas on the cogen energy that is ideal for this is the hospital community -- hospital community that is struggling. It is hard for them to go come up with that initial capital outlay because of their slim margins. We should be working, putting all of our heads together to figure out a way to get within that industry and create the necessary incentives. Because they can't rely on charity care funds, for instance, because it's not a reoccurring, returning revenue stream when they go to bonding.

So we need-- I think we should be sitting together with these three groups, not allocating to one. Because, quite frankly, if you're not in that world every day, you're not going to understand the problems that they face. You may not know that little nuance. I think we ought to be sitting down -- the three of you. I'm happy to lend, as Chair of the Budget Committee-- What incentives can we create; what money can we set aside; can we tie it, in some respects, to charity care reimbursement, an incentivize program? It's an immediate savings for them, that is for the life of the facility and dramatic cost reductions.

MS. FRANZINI: I agree. We just actually approved a hospital in Central Jersey for that -- for a cogen facility financing, and we're looking at one in North Jersey right now, as well. Because it does, it reduces their cost, which is critical to supplying care to the needy.

ASSEMBLYMAN GREENWALD: But you understand the point that if their profit margins are slim, they're not -- there are few hospitals that have reserves that can--

MS. FRANZINI: Some of them are being financed with third parties, just because of that issue, to work around that. So, yes, there are some creative financing tools.

ASSEMBLYMAN GREENWALD: That's what we need to do. And then share that with the rest of the industry.

MS. FRANZINI: Share that with the rest of the hospital community, for sure.

ASSEMBLYMAN GREENWALD: Thank you.

ASSEMBLYMAN COUTINHO: Okay. Assemblyman Schroeder.

ASSEMBLYMAN SCHROEDER: Thank you, Caren. Thank you for your commitment, dedication, and the expertise that you bring with you to this Committee today.

I don't think anybody can argue that, geographically, probably New Jersey is the best situated state in the country. We're close to the ports, we're the closest to Europe, we have some of the best transportation hubs. And I guess that's one of the reasons why many of our pharmaceutical companies have their headquarters here in New Jersey.

But I think we need to look at the global picture of our problems, and we all need to have a positive attitude. Because talking negative accomplishes nothing. And I always have the philosophy: There are never problems, there are only solutions. And what we need to do is come with solutions for our business problems.

We talk about a one- to six-year retention plan. We shouldn't even have to be worrying about that. As a businessman and as a business owner of a defense contracting company that works all over the world, I'm honored and privileged to have my operations here in New Jersey, and I will continue to support and work in New Jersey.

But what we need to address is Corporate Business Taxes, payroll taxes, commercial and real estate taxes. And how do we do that? By passing the tool kit so the mayors have the tools so they can reduce their property taxes for next year. We need to address health care. And I see the Chairman of the health insurance committee here. And I believe you have a subcommittee that's working on healthcare costs. That is so important -- the cost of health care in New Jersey. And then, most importantly, regulation -- DEP regulations. I talk to builders throughout the state. It

takes 6 months, 9 months, 12 months, and then you're back to the starting line on your permit process. We need to streamline the permit process, whether it's the DEP or other regulatory agencies in the State. And that's what we're going to do. We need to do it. We need to work as one unit here, both Republicans and Democrats, to make New Jersey an outstanding state to do business in. And then we won't have to worry about retention.

MS. FRANZINI: Thank you.

ASSEMBLYMAN COUTINHO: Assemblyman Bucco, did you want to speak?

ASSEMBLYMAN BUCCO: Yes, thank you.

ASSEMBLYMAN COUTINHO: Assemblyman Bucco.

ASSEMBLYMAN BUCCO: Good morning, Caren.

MS. FRANZINI: Good morning.

ASSEMBLYMAN BUCCO: It has been a real pleasure to work with you. You have done a phenomenal job in the short period of time that I've been here in the Legislature.

We have spoken a lot about what we can do in the future to attract businesses. And I'm concerned, as we move forward, that we don't relive the past. In your opinion, what has happened over the last 10 years, in terms of legislative initiatives, that may have caused this economic crisis to develop, or at least contributed to it? Have you been able to look back at certain things that the Legislature has done that may have led to some of the things that we're facing today?

MS. FRANZINI: Assemblyman, speaking before a legislative Committee, I'm hesitant to talk about any legislation that might not have worked in the past.

ASSEMBLYMAN BUCCO: In general.

MS. FRANZINI: In general-- And sitting here right now, I could not point to a piece of legislation that said that was it -- or a few. I think right now we are in a state -- State of New Jersey -- which we all recognize, for business, is an expensive place to be. And we need to work as a team, all of us, to both look at the cost of doing business, look at our regulatory environment, and look at our incentives together.

And so it's-- I'm a person saying, "Okay. Whatever happened, happened. We're where we are today. And what we need to do is move forward together and make some changes happen," and have a positive attitude, like Assemblyman Schroeder said, of saying, "The best thing to do is talk positive about our state and talk to other businesses to have them be here." So we have to change the climate in New Jersey today, which involves several factors.

And I know this Committee will work on our property taxes, our general taxes in the state, as well as our regulatory environment to move it forward.

Thank you.

ASSEMBLYMAN COUTINHO: Anything else, Assemblyman?

ASSEMBLYMAN BUCCO: No, that's it. Thank you.

ASSEMBLYMAN COUTINHO: Assemblyman Chivukula.

ASSEMBLYMAN CHIVUKULA: Thank you, Mr. Chairman.

I think one of the reasons why our energy costs are high in this state is because we are trying to encourage renewable energy, we're trying to be conscious of the environment. And so we have incentives created as a

result of that. We have societal benefit charges. The moneys have been taken -- \$158 million -- to balance the budget.

Then you have the RGGI. I think you talked about -- some of the RFPs that you were talking about is the Regional Greenhouse Gas Initiative. One hundred and twenty eight million dollars has been taken out to balance the budget. And then you have Retail Margin Fund with \$128 million, and the RGGI fund was about \$78 million. And I think also we have another charge, which I think both the Administration -- not only this Administration, but the previous Administration -- and the current Legislature -- the TEFA, Transitional Energy Facility Act, charges. Those are also posing an inordinate burden on the businesses. So what do we do, going forward? Are we going to do some behavior modification in terms of using the money -- what is that collected for -- making sure we earmark the funds rather than using it for the general fund?

MS. FRANZINI: I can't speak, going forward, of what's going to happen with the moneys for energy, but I know we're working closely with President Solomon in the BPU and looking at the various funding that's available for energy. And as you said, both look in terms of energy efficiency -- how we can encourage that for businesses to use -- as well as alternative forms of energy. So going forward in the budget, I think we're working right now with President Solomon as he looks to, on behalf of the Governor, looks at the energy master plan and ensures the dollars we have make sense; again focused on keeping jobs in New Jersey, lowering the cost of doing business here, and bringing in new ones.

ASSEMBLYMAN COUTINHO: Assemblyman Schroeder, you had a follow-up?

ASSEMBLYMAN SCHROEDER: One final comment. I had to get this in.

You know, I think if we all do our job and we work toward bringing businesses back to New Jersey, in a year or two we're going to be talking about what taxes we are cutting. And that would be my goal as a legislator, and I would hope that's everybody's goal here.

Thank you.

ASSEMBLYMAN COUTINHO: Assemblyman Schroeder, I think we'd all love to see that happen. But as somebody who sits on the Budget Committee, I think it's going to be a little bit longer than two years. But, God willing, that will be the case.

I'm going to wrap up this portion of the testimony.

Ms. Franzini, thank you so very much for being here again. And I would ask you, though, again -- and I thank you. You are the only Administration person who was here today. And part of the concept today by bringing all the Committee chairs and ranking members together was to try to foster, let's say, some cross germination, if you will, and collaboration. And I think it's critically important the entire Administration understands that these things are intricately linked.

And I agree. We need to focus on reducing the costs in the State of New Jersey. But as you pointed out, there are incentive programs that have worked. With the Stimulus Act of '09, DTCC is bringing 1,200 jobs to Jersey City from New York, even with all those other cost factors there. So we need to focus together -- with the Administration, with the Legislature, with professionals -- fine professionals such as yourself -- what incentives we can put in place now to help us out of this mess. And I think

that's what we're trying to do here. And we do see things are interrelated, and we hope that's going on within the Administration as well.

Again, thank you very much for being here.

MS. FRANZINI: Thank you, Assemblyman. I hope that this Committee strongly looks at the business retention bill that we've put forward, because it's keeping -- it would keep thousands of jobs in the state.

Thank you.

ASSEMBLYMAN COUTINHO: Thank you very much.

And for the members of the Committee, obviously our first speaker was somewhat lengthy. I think it was important that we heard from her. Obviously I think the pace of the meeting will pick up somewhat now, going forward.

Next on our list, from BioNJ, Ms. Debbie Hart.

Ms. Hart.

DEBBIE HART: Good morning.

ASSEMBLYMAN COUTINHO: Good morning. It's still morning.

MS. HART: Hello, Mr. Chairman, members of the Committee. I appreciate the opportunity to be here.

I'm Debbie Hart. I'm the President of BioNJ. We are the trade association for New Jersey's growing and evolving biotechnology industry. And, again, I appreciate the opportunity to be here, and I congratulate you on your vision and your leadership in holding this hearing.

A little more than a decade ago, there were just about 80 biotechnology companies in New Jersey. And according to our most recent industry study, today there are more than 300. This growth is coming from

within the state, and from other states and other countries. And it has occurred despite the difficult economy and despite the shrinking of big pharma.

A word of caution: It would be wrong in looking at these numbers to become complacent and believe that New Jersey can continue to experience more of the same simply because of its legacy as the medicine chest of the world. The competition between states, between regions, and between nations is fierce, and New Jersey, because of budget cuts that eliminated some support programs and significantly reduced others, is in danger of losing its edge.

In order to stay competitive, it is essential for New Jersey to develop a comprehensive life sciences blueprint for advancing biotech, and that blueprint should include some of the following specifics.

Continued provision for expansion of the Technology Business Tax Certificate Transfer Program: The temporary cut from \$60 million to \$30 million in the recent budget should be lifted, and the program should be considered for expansion at some point to \$100 million. In a report issued earlier this year by BioNJ, it was estimated that for every dollar that the program puts into a biotech company, another \$15 comes back to the State economy in venture capital, collaborative research, and government grants. The expansion of this program should be coupled with the continuation and expansion of other New Jersey programs that support the industry, including BEIP, BRRAG -- as Karen Franzini mentioned -- and the Workforce Development programs administered by the Department of Labor and Workforce Development.

Number two: restoration of the programs provided by the Commission on Science and Technology. Unfortunately, the Commission, which can trace its origins back to the Kean Administration, has been the subject of budget cuts for several years now. In the last round, all funding was eliminated, as I'm sure you know, and we lost several important programs including the popular Post Doc program, as well as an important brand for the State of New Jersey.

Further, with these cuts, an important message was sent that is echoing throughout the state and the country. New Jersey may appear to be open for business for biotech companies, but competitor states such as Pennsylvania, North Carolina, Maryland, and others bring much more to the table. And what may be worse are the unintended consequences of recent actions. Ironically, these cuts mean that ultimately the State budget will suffer as a result.

Based on data in the NJCST 2009 Annual Report, there was an approximately 30 to 1 return on dollars expended. That is, for every dollar spent by the State on Commission programs, \$30 was generated, and an additional \$2.5 million in personal income taxes went directly to the State budget. In other words, the Commission's \$10 million budget was responsible for \$25 million in revenues coming into the State. This is a conservative estimate, actually, as it doesn't even include Corporate Business Taxes.

Third: seed funding programs. A seed fund for angel investments and a corresponding tax credit for angel investments should be considered as well. It is the earliest stages of funding that are missing, and helping to fill this gap would make New Jersey more competitive.

Fourth: technology lease guarantee program. Start-up biotech and tech companies are particularly starved for seed money, as I mentioned. Yet, like all tenants leasing space, landlords typically require security deposits equal to roughly three months on a five-year lease, and six months rent on a 10-year. This requirement ties up lots of cash that could easily be used for innovation. The solution is to create the Tech Lease Guarantee program. For qualifying technology companies located in leased premises within New Jersey, the EDA could be empowered to guarantee up to three months rent on a lease term of not less than five years.

The marketing and business attraction programs: International and other marketing programs should be supported that would be linked to promoting the State's biotech industry, and attracting companies from across the country and around the world to locate here. A strong State presence in BIO International in Washington in 2011 is essential. We congratulate the Governor and his Administration on the establishment of Choose New Jersey, and we will be talking to Choose New Jersey about a possible presence there. Again, our competitor states are well-represented.

Sixth: workforce development support activities and training grants. These programs that are currently provided by the New Jersey Department of Labor and Workforce Development should be expanded and continued.

And also: better technology transfer. It is essential for greater cooperation between our companies and our universities. We need streamlining of agreements and collaborations. Again, this is essential to growing the biotech industry.

So, bringing it down to practical terms, part of my job is to support the New Jersey biotech industry by helping to bring new companies to New Jersey. In the last two weeks alone, I've met with three companies -- one startup in New Jersey looking at Pennsylvania and New Jersey; one from North Carolina looking at New Jersey, Pennsylvania, and North Carolina; and one from Belgium looking at New Jersey and Massachusetts. They're interested in the possibility of New Jersey. But, frankly, with the program reductions, we have very little left in our tool box. We had little to talk about. As I stated earlier, our competitor states and regions are still writing checks.

As we all know, this isn't the first time that a committee has looked at issues and topics like this. A lot of good has come from these discussions. But we just moved our offices at BioNJ last week, and I was reminded of the fact that I have a drawer full of ideas -- ones that have been generated by others than myself, some original, some co-opted from other states -- that have been given to previous administrations and legislative leaders but never implemented. We hope that the Administration and legislative leaders will consider these ideas starting with today's hearings.

Thank you so much for your time and the opportunity to be here.

ASSEMBLYMAN COUTINHO: Thank you.

Questions for Ms. Hart?

Assemblyman Chivukula, I'm pretty sure you have some.

ASSEMBLYMAN CHIVUKULA: Thank you, Mr. Chairman.

Recently, the Assembly Speaker Sheila Oliver put together a Task Force to address the issue of life sciences in New Jersey; how we can

make use of the life sciences industry to create more jobs, I think. Thank you for your testimony. Thank you for your support of the New Jersey Commission on Science and Technology -- some of the important programs there.

One of the things that came out-- We had a hearing last week at UMDNJ in New Brunswick, at the Cancer Institute. And one of the things that came about was that the life sciences industry -- we are doing so many great things, but it is very expensive. And a lot of the time, as part of the drug discovery, it costs a lot of money. Sometimes you may not come up with a drug at all. So there are a lot of losses as a result of the research and development.

One of the cuts that has taken place was the Tax Transfer Certificate Program that went from \$60 million to \$30 million because of the State's fiscal situation. Do you see how we can -- there may be other ways of creating funds so that way we can continue this research -- R and D research in the life sciences arena.

MS. HART: Well, you know, again, some of the programs that I mentioned are bringing dollars back to the State that are in excess of the dollars going out. So we would encourage the Legislature to look at those programs again. Because, again, we believe that we will be losing more than we're saving by cutting those programs.

Some of the programs I mentioned -- again, all of these things are to generate new companies, new revenues, new jobs, new taxes for the State. So we believe that the programs we suggested will help us do just that.

ASSEMBLYMAN CHIVUKULA: Thank you.

ASSEMBLYMAN COUTINHO: Any other questions? (no response)

Ms. Hart, thank you.

I have one question, because this information you've given about the return on the public dollar investment-- I've done some research, and I've gotten it from other sources as well. Have you met with the Administration and the Treasurer? I mean, what would be their response, basically, for defunding a means-tested program that inherently brings value to the State of New Jersey? This was one of the most frustrating things within the budget process. I was wondering, have you spoken to the Administration? And what is their position in reference to this?

MS. HART: Well, we certainly understand that everyone has been in a tough position. We see the fact that the Technology Business Tax Certificate Transfer Program -- while we're not happy it was cut from 60 to 30, we believe that the fact that it wasn't wiped out completely demonstrates the Governor's commitment to this industry and to continuing it when we can, and hopefully bring additional dollars back. But, yes, certainly we've been in touch. Caren Franzini -- we're on the line on a regular basis with Caren and her terrific team, as well as others in the Governor's Office.

ASSEMBLYMAN COUTINHO: And, again, I'm not trying to be argumentative, but is it that if this-- Let's say that the information shows that by investing \$10 million, let's say you would generate \$25 million in tax income. I mean, we're in a budget crisis. We want to generate more revenue for the State. Is it that, let's say, the Administration doubts those findings, they don't agree with that? Because why would we

basically walk away from money that's coming into the State? I'm just trying to--

I mean, we all understand the budget problems that the State has. But if this is something that's generating money for the State, is the Administration contesting those numbers? Is that the issue?

MS. HART: I certainly have never heard that directly, and we can certainly provide the reports. Perhaps -- or maybe they haven't looked at the detail exactly. I really can't respond to what the Administration's thinking was.

ASSEMBLYMAN COUTINHO: I would ask possibly, Assemblyman Malone, if this is something we can work together on -- get the information. Again, I've seen this outside of Ms. Hart's organization -- these numbers. If we could have a discussion with the Administration, if this is something-- You know, we've talked about means testing with Ms. Franzini. If the documentation is there that this is going to help not only create jobs but bring additional revenue into the State, I think this is something I hope we can work together on.

ASSEMBLYMAN MALONE: Assemblyman, as well you know--

ASSEMBLYMAN COUTINHO: Assemblyman Malone.

ASSEMBLYMAN MALONE: --if you don't have the dollars to start with, you can't have the dollars to create more dollars. And given the severity of the revenue losses -- and I think you recognize that difficulty. If we had spent \$100 million three years ago or two years ago, we would have returned even more. So the issue of-- It really boils down to an issue of the

revenue that you have at a moment in time to be able to invest and recoup additional funds.

I don't think anybody in this room disagrees with the fact that if we had money -- additional money to invest in opportunities like the biotech industry, we would love to do that. And I think you've gotten that kind of commitment from the Governor and Caren. They'd love to do much more. But given the choices that we had, I'm assured you would not want us to take it away from the disabled, or from charity care, or any untold number of critical needs. I think that everyone in this state realizes that we are in a critical revenue shortfall in this particular moment in time. The money that was given to the biotech industry was all we could afford to give. And I would not dispute with any of you, we would love to give more. And it's about choices.

MS. HART: If I may, Assemblyman.

ASSEMBLYMAN COUTINHO: Ms. Hart.

MS. HART: Absolutely. We wouldn't want to see moneys taken away from those particular programs. But on the other hand, this industry is the industry that would be addressing those kinds of needs. So the more we -- we can't turn our heads away from research. It's really important.

ASSEMBLYMAN MALONE: If you could -- you don't have to do it today -- but if you could tell me where we could have gotten the additional revenue -- from what source -- when we prepared the budget that passed at the end of June-- Can you give me some suggestions on where we could have gotten the additional revenue at that particular time to put forth a balanced budget?

MS. HART: Well, we could certainly have a discussion following up.

ASSEMBLYMAN MALONE: I mean, it's nice, in an academic setting, to have a discussion about what could have happened or what should have happened. But the issues we had to deal with at the time of putting that budget together were very stark and real. And as OLS had mentioned, it was the largest drop in revenue in the history of the State of New Jersey. And we all understand that, and we all wish it could be different. But hopefully, as we climb out of this economic decline, we will be able to reinvest in these many areas that are going to generate additional dollars and really create the economic engine in the State. And I support you 100 percent.

ASSEMBLYMAN COUTINHO: If I can, Mr. Malone-- And this is where I think it's critical, and we need to work together to give the information to the Administration. If the evidence is there that investment in this program returns more than the investment, this would actually, in fact, be a revenue generator for the State. And the Administration would actually be able to put this in the budget and then count the extra money to help fund other programs and get toward reducing our deficit.

So, I mean, I think we need to get it to a point where people would feel comfortable certifying that this is, in fact, the case. That's why I asked the question: Did the Administration refute the data that the investment actually pays for itself as we move forward?

So that's why I'm asking for that information. Because that's exactly what we're talking about: investing in things which will help grow us out of this mess instead of just cutting.

ASSEMBLYMAN MALONE: I wish the world was that ideal. I mean, the thing is, the reason we got into the dilemma of the financial deficits that we have is that every time we prepared a budget, we wished and hoped that the revenue would come in. And for the last three or four years, the wishing and hoping didn't turn into a realized cash.

Look, we all can agree that the basic premise of what this organization is doing -- and many, many other organizations -- is great. And given different times, we would have loved to have been able to generate additional cash by investing more. But I think we are where we are, and we're going to have to live with it.

ASSEMBLYMAN COUTINHO: Thank you.

Assemblyman Bucco.

ASSEMBLYMAN BUCCO: I agree with our Budget Officer, Assemblyman Malone. I mean, we're in a position here, in the State of New Jersey, where we're operating on such a fine line that one mistake could be devastating. And I think we have to continue to operate as we have been operating on the theory that you can't spend what you don't have.

And this is just critical as we move forward. Because I think that getting us out of this mess that we're in economically is going to be driven by the fact that we are fiscally responsible and that we are going to put forth bills that will address the property tax crisis here in New Jersey. I'm hopeful that those bills will be considered swiftly and quickly by committees so that the mayors can have them in place before the end of the year. And then you'll be able to see people willing to invest as their property taxes go down. I just don't think we can operate on a hope and a

prayer that the assumptions that are being made will come true. Because if they don't, the result could be devastating.

ASSEMBLYMAN COUTINHO: Thank you very much, Ms. Hart. And, again, we look forward to continuing to work with you. I think it's very clear this is a critical industry for the State of New Jersey we need to invest more in. And, respectfully, it's not about hope and prayer, it's about science. And the science is there. But I look forward to working together with you and our colleagues to make sure we can do whatever we can to grow the biotech industry in the State of New Jersey.

Thank you very much.

MS. HART: Thank you so much. We appreciate it.

ASSEMBLYMAN COUTINHO: All right, next we're going to hear from the New Jersey College Consortium, Dr. Lawrence Nespoli; Dr. Raymond Yannuzzi, I believe; Dr. Jerry Rein; Dr. Patricia Donohue.

Please come forward.

LAWRENCE A. NESPOLI, Ed.D.: Good morning.

It's a pleasure to follow Debbie Hart. BioNJ has been a great partner for us in our workforce training programs, as well as the NJBIA, the Utilities Association, and others.

I'm Larry Nespoli with the State organization for community colleges. It's my pleasure to introduce two of our community college presidents. To my left is President Pat Donohue from our host county, my county, Mercer County Community College. And to my right is President Ray Yannuzzi, President of Camden County College, from South Jersey.

I want to get to their story, because we have a good story to tell. And, in short, our story is one most of you know -- maybe all.

Community colleges really are one of the most important assets that New Jersey can bring to businesses to help them become stronger in this very competitive economy.

Let me hand it off to them by just sharing a quick background story. I had the pleasure of growing up working for a small businessman, my dad. He didn't use words like *capital*, but he got the importance of investing in different kinds of capital. Yes, he would buy equipment for his store. He certainly knew the importance of monetary capital. He had to borrow money to get him through the ups and downs of a retail cycle. But he also served as a college trustee and a school board president, so he got the importance of investing in -- as a small businessman -- his most important capital: his human capital, if you will; his people. He always insisted that the younger kids went to college. So he got that early on. And that's our story here -- the importance of training for businesses. Yes, you've heard from Caren, and Debbie, and others about the importance of tax credits and the like, but it's the improvement of human capital for our businesses, and especially our small businesses, that is so important.

So, community colleges -- you know our story. There are 19 of them, 70-some campuses. Here's what some of you know, but some of you may not: We did something very uniquely powerful about three or four years ago. On our own, without State funding, we created a Consortium of the 19 colleges. The presidents got us started down this path. And what it means, simply, is if there's a business in Camden County that has a training need, let's say, that Mercer County has expertise in -- or the opposite, a business in Mercer County that has a training need that Camden is expert in -- that business can access the training expertise of any one of the 19

colleges seamlessly. And, frankly, they won't even know which faculty member is in front of them. It doesn't -- they don't need to know that. But the point is: To any business, in any one of your municipalities, that business can access the over 2,000 training programs and the combined expertise that these 19 community colleges have. And we were very fortunate to hire an Executive Director -- he's here with us in the room today, Bob Bowman. Bob was very instrumental in really saving the Naval shipyard when he was working out of Philly. And so he's a great asset for us and our colleges in working with the presidents in the way we've described.

Now, we've done our part. The State has done its part. You, the Legislature, passed a bill a couple of months ago called the Supplemental Workforce Fund for Basic Skills. Now, that important piece of legislation hardwires training revenue to our colleges that -- to the businesses, I should say, so our colleges can provide training to NJBIA members, State Chamber members throughout the state at no cost to the businesses -- no cash cost to the businesses. The businesses still have to incur the indirect cost of freeing up their workers to receive the training.

So this is a great success story that this Consortium exists. This *tool kit* word that we hear so much about-- In our minds, this is one of the most significant tools available to the Lieutenant Governor, to Caren, to Debbie, and others as they talk to companies; and to all of you. We invite you, we implore you, as leaders in your communities -- as you meet with business leaders, if any of them have a training need call the local community college. And again, through this Consortium, that puts them immediately in touch with the training expertise of the 19 community colleges statewide through this important bill that you passed -- the

Supplemental Workforce Fund for Basic Skills. We're very grateful for that and pleased to be here. We've testified in front of your individual committees. It's not often we get this great opportunity to speak to the combined legislative leadership.

So, Dr. Donohue, the Mercer story in particular.

PATRICIA C. DONOHUE, Ph.D.: The Mercer story--

First, each of us as a community college is about providing learning to all of the citizens who need to be contributing citizens, as well as productive in our workforce. We in the community colleges are the front line of training for the existing workforce as well -- people who are currently employed, the people who need to be retrained for new employment.

Businesses who are trying to grow need to be able to hire people who are qualified. They need to be able to train their existing workforce so that they can upgrade for greater efficiency or so they can expand their business. And we need to be able to provide training for jobs of new businesses who come into the area. I'm going to talk about a new business we've served through the Consortium through three different streams of funding that were very important.

That new business is Aurobindo. They are actually a company out of India that chose to come and build a plant in New Jersey to process, and package, and distribute their pharmaceutical products. A critical part of their choice to come to New Jersey was that the State of New Jersey was helping them to train the workforce they needed. It is a high-tech, clean-room technology process. So they needed people not only with the basic skills to communicate, to follow directions, to record accurately if a machine

failed even a tiny bit -- no error is allowed. So basic skills were critical, and they also needed the focused skills and techniques for biotechnology.

The Workforce Consortium program, funded through the Department of Labor in partnership with the New Jersey Business and Industry Association, has provided for them many classes of basic skills to be sure their workforce was appropriate. The biotech grant programs have helped provide their focused-skilled technologies essential to being able to bring that biotech pharmaceutical business into New Jersey. And customized training has allowed us to meet their special services. All of these are critical things where New Jersey funding helped to bring that company and all of their employees into the New Jersey workforce.

One of the important things-- Dr. Nespoli cited the fact that the businesses have to provide the employee wages and their time on the job as their part of matching this investment. As an educator, nothing is more important in getting someone to learn than the expectation that that learning is important. And an automatic piece that our employers provide, when they do it on company time as a condition of their job, is that expectation, the motivation on the part of the learner to become successful in that learning and to make that company very important.

So I've talked just about one company. Through the Workforce Consortium, we've served almost 100 classes through the NJBIA grant, serving 800 unduplicated people -- because some of them were involved in more than one class. That served 46 businesses and an additional 13 companies through the biotech grants, and another 300 people. So this funding has been very critical to our ability to serve the citizens of New Jersey, to serve the employers of New Jersey.

And from Mercer County, I would certainly encourage you to be sure that this funding continues to be available for workforce training.

DR. NESPOLI: Handing off from Mercer to Camden, let me just cite the -- building on Dr. Donohue's Mercer County numbers, statewide, in the three years since we created this Consortium, we have provided training to over 30,000 New Jersey employees at over 1,200 New Jersey companies.

Camden County College.

RAYMOND YANNUZZI, D.A.: Thank you, Larry.

We were pleased to hear Ms. Franzini today say that the Administration recognizes that higher education should be at the table, and that county colleges have a role to play in that process when we want to attract and retain businesses in the state.

In Camden County we've always been ready to step up and help the businesses when they've asked, and go out and try to ask them what help they need.

The figures from our county over the last two years: 60 businesses served, 128 classes, 1,877 students. And we've served companies ranging from Lockheed Martin, Beneficial Bank, Crown Plaza Hotel, Wegmans -- things that everybody's heard of -- to small businesses. We know there are many, many small businesses in the state -- things like Ernie's Repairs, Fantasy Travel Agency, and Porky Products, Inc. So we've run the gambit of New Jersey's business and industry services, and provided training to all of them.

In your packet you'll find a description of a recent visit to our county from Labor Commissioner Wirths. And with him we toured

Renaissance Marble, which is a very typical medium- to small-sized business that the Workforce Consortium serves. They have about 30 workers who receive training in basic skills, measurements, computer applications, customer service. And they took us on a tour through their plant, showed us how they use the skills that they learned from the Consortium program to cut marble, measure it, draft it, measure it for people's homes, and then work with the people at their site to get the marble in their house. So it's the kind of thing that's very practical, very immediate, and results in jobs that are out there right now that we're training people to fill.

In addition to the programs that we've talked to you about today, and to the long-term historical work that community colleges do in job training and preparation, we're pleased to say that community colleges have also done their part this past year to try to get some of those Federal funds that you've heard about for community college expansion and growth.

In the northern part of our state, Bergen County College received a very large grant to work with 10 other community colleges on healthcare training. Camden in the South -- we're working with the Coalition of Schools on health information technology training. And just this week, Bergen County and Camden received funds from the Federal government to develop job training for individuals with intellectual disabilities and autism.

So the county colleges are there. We're ready to participate in the State's efforts, on various levels, to help retain and attract new industries. And we want to be part of the tool kit, and we want to be a part

of the programs that you've already put in place. So thank you for your support.

DR. NESPOLI: We'd be happy to answer any questions you might have.

ASSEMBLYMAN DeANGELO: Assemblywoman.

ASSEMBLYWOMAN JASEY: Yes, good morning.

I'm really happy to see that you're at this hearing, because although we're not talking about it much this morning, education is critical to having a job workforce that can do the jobs that we hope to keep and attract to New Jersey.

So the one question I have for you is-- First, I applaud you on what you're doing, because it sounds like a great private-public partnership. And I've always felt that the community colleges are vital to what we do. Is there currently, or are you planning, some kind of relationship or ongoing discussion with our high schools throughout the state in terms of: How are they doing to provide students who are ready to take on college-level work on the community college level? And I know that -- and just as a comment -- I know in my district, in particular, we have seen the number of students going to community colleges rise significantly, mainly for economic reasons. Because they simply can't afford to go right into a four-year college or into a private situation.

DR. YANNUZZI: You're right, Assemblywoman. It's a critical issue for us at the county colleges. It has always been. And all of our colleges have pilot -- have projects that work with local high schools. Just yesterday we met as a group -- the 19 college presidents -- and put together an agenda for a statewide program to link our expectations of incoming

skills with the high schools' expectations of exiting skills of math and English so that students could make a smooth transition, don't need to make up work -- and also a way to link college curriculums with high school curriculums more closely for job training preparation. Because we recognize we're getting more students. Our enrollments are--

Larry, what?

DR. NESPOLI: An all-time high. We have 400,000 students.

DR. YANNUZZI: Four hundred thousand students this year.

DR. NESPOLI: I know Dr. Donohue wants in on this one.

DR. DONOHUE: Absolutely. In addition to the long-term -- how do we work on skills-- (witness begins to cough)

DR. NESPOLI: Water? Anybody have water? (laughter)

She has water.

ASSEMBLYWOMAN JASEY: I'll give you a follow-up while you're catching your breath.

The other thing is, Dr. Donohue, I thought you made a very good point when you talked about learners being able to connect what they're learning to their jobs and to what makes sense. And that works for younger students too. I mean, I think you're talking about adults. But certainly for young people, when you talk to them about what is so difficult about school, they don't see the point of it. They don't see the point of what they're learning and how that translates to their situations.

And so one of the things that I think, personally, we need to be looking at is ways to connect real-life job situations, real-life careers and professions to what students are being asked to learn in school. And I think the community colleges -- because you're located, obviously, in every county

-- I think you have a role, possibly, to play in terms of helping our young people understand where they're headed and why what they're learning is important. And perhaps there's a way to even begin giving high school students the opportunity to start working on their college credits while they're still in high school.

DR. YANNUZZI: We certainly do have programs like that. We have very large programs with high schools in almost every school district in the state -- what we'll call a *dual credit* program where students can get a start.

But even more importantly to your question: All of our occupational, technical programs have panels of people from business and industry who come in periodically several times a year. They meet with the faculty, go over the equipment, and look at the kinds of things in the curriculum to make sure that what we're teaching in dental hygiene, or automotive, or veterinary technology, or business, or X-ray technology is up to date with what they expect people to have when they come on the job.

ASSEMBLYWOMAN JASEY: Thank you.

DR. NESPOLI: You may not know, Assemblywoman, that the county superintendents sit as members of the county college boards of trustees. So there are natural alliances there. And most of the colleges -- all of them, I'm sure -- are taking programs and their staffs into the high schools to build the connections that need to occur so that, as Dr. Yannuzzi said, the exiting high school graduation standards line up with what our faculty are looking for when they arrive on our campuses.

ASSEMBLYWOMAN JASEY: Good. Thank you.

ASSEMBLYMAN COUTINHO: Any other questions? (no response)

Thank you very much.

DR. NESPOLI: Thank you.

DR. YANNUZZI: Thank you.

DR. DONOHUE: Thank you.

ASSEMBLYMAN COUTINHO: Next we have Melanie Willoughby and Pat Ryan, from the NJBIA and Hopewell Valley Community Bank.

Please come forward together.

MELANIE WILLOUGHBY: Good morning, Mr. Chairman and members of the Committee.

I'm Melanie Willoughby, and I'm the Senior Vice President of the New Jersey Business and Industry Association. And together with me today is Pat Ryan, who is the Chair of the Hopewell Valley Bank, and he will also be making a number of remarks.

I'm with the largest statewide business organization in the country. We have 22,000 member companies, both large and small. And as a matter of fact, over 80 percent of our members have less than 50 employees. So we certainly have a good perspective on how the economy is treating our companies.

I really want to thank, though, all of you today for convening this hearing. Because I do believe that it is important to focus our attention on really what New Jersey needs to do in order to grow out of this recession. And it really creates that forum that we need in order to address that.

But I'd like to first start by putting into perspective for you about the long road to recovery that New Jersey faces. Because in the last decade, New Jersey's private sector had a zero net gain of jobs, if you recall, while the nation had a 3.7 percent cumulative increase. And our government sector, though, added 54,800 jobs for a net increase of 9 percent. So I think that gives you a perspective of where the growth was in the last decade.

And certainly while the nation was going through a recovery, New Jersey did not experience it, and we lagged every state in the Northeast as well. Why? You've all asked that question today. Why? Well, it's because many of the laws that were passed in that decade promoted the notion businesses were not to be trusted as economic engines of the state; that, instead, they needed to be regulated, and taxed, and have more mandates thrust upon them. And businesses reacted to that attitude, and they reacted to the costs that that attitude brought, and they left and they took their jobs with them.

Then the 2007 recession hit. And yes, the Legislature did react. Because that recession was so steep and so immediate that you did react. There was a lot of work that was done in these chambers over those years -- the last three years of that decade -- that focused on economic development and tax reform. You had initiatives like expanding net operating loss deduction, which was part of the NJBIA agenda; eliminating the throw-out rule; creating the Urban Transit Hub Tax Credit and the Economic Redevelopment Growth Grant, for instance. Those were all important.

Then, in 2010, Governor Chris Christie and the Legislature worked together to prevent a \$1 billion unemployment insurance tax

increase; and the Governor's and the Lieutenant Governor's regulatory reform initiatives, and the reorganization of the DEP, are starting to send positive signals to the business community that there is a widespread, positive change in government's attitude.

Now, the point I want to make though is: Where do we really have to go from here? Because I think it's really important to understand that New Jersey is in a global economy, as you all know. And so we have to react globally. And so to see where our State sits as a result of the entire world-- Our State has assets. We are sandwiched between two of the largest markets anywhere. We have a huge Port to ship goods all over the world; a large, well-educated workforce; and one of the highest per capita incomes in the country. We used to be number one, but we're slipping.

But for too long, because of the laws that were passed in the past, we've been an outlier in so many things in comparison to the rest of the country that it makes it harder for people to do business in our state. We have higher taxes, we have burdensome government regulation, we have costly mandates, high healthcare and energy costs. It took decades for these laws to be passed, and I believe that it's going to take decades in order to resolve our problem.

You need to recognize that every dollar businesses pay in taxes or spend on complying with government regulations are fixed costs over which they have no control. With every increase in those fixed costs, it means that business resources will not go to hiring a new employee. We have a finite amount of money. We have to figure out how to best invest that money in our businesses, and there is no question our employees are our best assets. But what do we do in order to remove the impediments

that keep businesses from hiring employees? And those impediments are that we keep passing more laws and regulations that cost businesses money so they can't hire new people.

So I know when we pass a number of bills we feel that, "Okay, we fixed it. We can move on now. We've addressed that problem, so now let's look at something else." But that is not the way we're going to be able to change the way businesses feel government feels about them. We have to have continuity, we need to have certainty, we need to have a continued effort on the part of the Legislature in order to be able to change the laws that we need to change, in order to make a difference in this state so we will no longer lag behind the country. We will be the first, not the 50th. And you know that the Tax Foundation has rated New Jersey actually the 50th for the last number of years in terms of business climate. I don't want to be 50 anymore. I want to be number one, and I know you do too.

But what do we have to do in order to make those changes? First of all, I'd like to start with property tax reform. You usually think that property tax reform is not a business issue, but it is. We pay 40 percent of the property taxes. And as they rise, they take up an ever-increasing share of a business's operating budget. Now, the Governor and lawmakers capped the property taxes at 2 percent this year, and that sent a powerful message to businesses. That's the kind of message we want to hear. Basically you're saying that government is going to get its costs under control just like business had to. We had to lay people off in this recession, we had to tighten our belts. But was government? The last decade didn't say that they did. They had a 9 percent increase in the number of employees while we had no gain whatsoever. So when we look at the

property tax tool kit, we feel that's very important. Because unless you pass that tool kit, how are we ever going to live within that 2 percent cap?

Similarly, we need to look forward at the unemployment insurance reforms. Now, the Governor and the Legislature -- you did a great job this spring to help avoid a massive tax on payroll. It was going to be a billion dollars. It was important for you to send the message to business that you cared enough to phase that in. But we still have more work to do because the unemployment fund is still deeply in debt, and our members are still going to be paying higher taxes for the people they employ for the future unless we have additional, meaningful reforms. And so I ask the Legislature to take another look at that. We need to do more.

We also have to do more to lower the cost of business. Taxes matter to businesses. They affect their business decisions, job creation, retention, plant location, and competitiveness. And, most importantly, taxes diminish profits. And, yes, we'd like to make profits so we can continue paying our people. If taxes take a larger portion of profits, then that cost is passed along to consumers, our workers, or our shareholders. So a state with lower tax costs will be more attractive to business investment and will experience economic growth.

In order to improve our State, we need to conform our tax policies to Federal tax policy. We need to extend corporate tax benefits to the small businesses that are typically organized as LLCs, subchapter S Corporations, and partnerships. In addition, we need to also change our laws so that we don't penalize companies that are headquartered in New Jersey for the jobs they support. And so we have to enact single sales factor tax reform.

On job creation and retention programs: The BEIP works very well -- you've heard that from Caren Franzini today -- but only for companies that relocate here. What about the ones that are still here and we want to make sure they stay? Well, that's the BEIP -- the BRRAG, where we want to provide better incentives to convince companies that are already here. We believe that we want the number of jobs that are required to be created or retained to be lowered. I'm not sure what the Governor's bill is going to say, but I'm sure that it will certainly go a long way toward improving the BRRAG program.

Now, I have really appreciated the opportunity to discuss a few of the issues with you today, but there are so many more that I could go through, and I would be here for four hours testifying, and I don't want to do that to you. But I did provide you with a couple of things that I really want you to take a look at: and that's our vision for economic growth, which we attached; as well as our report on how to improve partnerships. And I know you have a copy there somewhere, which is our New Jersey report -- New Jersey PRO report on building bridges between academic institutions, business, and government to bring innovation to the marketplace. We have been taking a look at higher education in the state, because we feel it's a very important piece of the puzzle in trying to build our economic growth engine. And it's really about the synergies that can go on, and innovation between higher education, government, and business. It's happened in so many other states where they have been able to incubate a lot of innovative companies growing out of the research done at higher education institutions. New Jersey can be that innovation state again. We once were, we can be again. We have a lot of the tools. We just

need to be able to focus on some of the things that can help make that happen. And so there are seven recommendations in our New Jersey PRO report that we'd like the Legislature to consider.

So I've taken a lot of your time. And I want to say thank you very, very much for listening so intently.

ASSEMBLYMAN COUTINHO: Thank you.

Any questions for Ms. Willoughby at this time? (no response)

Mr. Ryan.

PATRICK L. RYAN: Thank you, Mr. Chairman.

I'd also like to thank the Committee for the opportunity to speak today on job creation and economic growth in our state.

As stated, my name is Patrick Ryan. I'm a resident of Hopewell Township, here in Mercer County. I'm also a second-generation New Jersey businessman. My father brought us here from Missouri in 1963 when he, along with other family members, acquired the tiny Ritchie & Page Distributing Company here on 3rd Street, in Trenton. He risked everything he owned, worked diligently, and grew that business until it employed over 60 people and attained over \$30 million in annual sales of Anheuser-Busch and other malt beverage products. For those in the audience who might not understand *malt beverage*, that's beer.

But we sold our interest in Ritchie & Page following his death and redirected the family capital. And in 1997, we began the process of organizing the Hopewell Valley Community Bank, where I now serve as Chairman. The Bank has grown from literally nothing but an idea to an institution which now has \$350 million in total assets and employs 68

people, all of whom are earning good salaries in addition to a full array of health, life insurance, vacation, and retirement benefits.

The Bank is located in Pennington. And through our network of seven branches, we have several thousand depositors in the Mercer County area, along with several hundred small business loan customers. We're also fortunate to have over 400 central New Jersey residents who have capitalized our bank through their personal investments in our stock. We work every day with small business owners who have started, built, and operated their businesses in New Jersey. In fact, our Bank itself is a small business, so all of us are fully aware of the wide range of challenges faced by this segment of our economy in these difficult times.

From our viewpoint, there is only one path to escaping the problems which have brought us here today, and that is the path of long-term, sustainable economic growth. But before we can go down that path successfully, we have to address and remove some impediments. First and foremost, the Legislature and the Governor need to commit to a concerted effort to improve the business climate in this state. Positive action in this area is vital to improve our image across the country as an unfriendly place to do business.

An initial step, which would be quite helpful, would be a legislative study of the factors that put us at a significant disadvantage to our neighboring states, especially Pennsylvania. We know from published data that we have the highest unemployment rate in the region, and we have also declining income levels. Our leadership needs to act, and act quickly.

Businesspeople and successful professionals in the Mercer-Hunterdon area are quite aware of the considerable financial advantages that accrue to a business or individual who makes a short move across the Delaware River. Lower real estate taxes, lower state income taxes, favorable treatment of retirement income, far better treatment of capital gains, as well as a lower estate tax provide a considerable incentive to jump the Delaware.

Professors Seneca and Hughes at Rutgers have been warning for years that we are losing high-income, high-wealth individuals from our state. And their studies have recently been validated by consistent findings from Boston College this past February, and also from the Tax Foundation in September. The loss of highly skilled businesspeople and investors is a serious matter. These are people who have built organizations which have provided jobs and careers, and, in many cases, could continue to do so. They are also the kinds of people who have helped finance not only our bank but many of the other community-based banks in the state, along with a myriad of other businesses.

Further, once they pull up roots and move even a few miles to nearby Pennsylvania, not to mention other options such as income-tax free Florida or Delaware, we lose a great deal more than the individual and their taxes. We also lose their contributions to the civic community and charitable fabric of New Jersey, their accumulated knowledge and experience, as well as their ability to make future investments in this state which could mean additional job creation and economic development.

Another area which would benefit from legislative attention and improve our ability to attract jobs, investment, and growth is a New Jersey system that requires local approval of all projects. This is an extremely

arduous and expensive process that dampens economic growth. In recent years, the Legislative and Executive branches have worked in concert to facilitate the range of approvals necessary to the State level -- at the State level that attract and retain businesses, as exemplified by the DEP Site Remediation Act, as well as the BEIP and BRRAG programs.

However, the best laid plans at the State level can be thwarted by delays at the municipal level, causing solid business opportunities to go elsewhere for greater speed or certainty of approval. A system which creates a smooth and consistent process at the State level but allows 566 municipalities wide local discretion needs to be reexamined in light of a fast-moving and highly competitive global economy. We need to do more to ensure that the broader economic and job retention interests of the State are considered in these local decisions.

We ask that the Assembly take a closer look at the tax policies that put us at a disadvantage to other states, as well as the very difficult land use procedures which hinder growth.

I thank you very much for your time today.

ASSEMBLYMAN COUTINHO: Thank you.

Questions?

Assemblywoman Stender, and then Assemblyman Schaer.

Assemblywoman.

ASSEMBLYWOMAN STENDER: Thank you, Mr. Chairman.

Good afternoon.

Melanie -- or actually both of you have now -- and I have heard this a couple of times -- the Tax Foundation and how we're the 50th.

Could you speak to what the Tax Foundation actually is and what their criteria is?

MS. WILLOUGHBY: Yes. The Tax Foundation is an organization that looks at the business climate every year, and they have it serve as a tool for lawmakers, the media, and individuals on how to gauge their state's tax systems. And they--

I have the report here if you would like to see a copy of it, Assemblywoman.

ASSEMBLYWOMAN STENDER: Well, I think what I'm trying to get to-- I understand the generic language. But I'm specifically trying to understand -- would like to know who they are. Who funds them, and specifically when you talk about the tax structure, what are they evaluating that on? I mean, what are the pieces that they look at? Because I've read contradictory information to what is being repeated over and over again. Because as I recall, it's not uncommon for this to be quoted, but that it doesn't, in fact, give a holistic look at all of the pieces of the puzzle -- but just, rather, looks at the property tax piece as a basis -- but doesn't compare, like, the sales tax and all these other things that also enter into an overall tax climate and tax burden for individuals and businesses.

MS. WILLOUGHBY: I'll give you their description, and then I will tell you what goes into the components of the business tax climate 2010.

They are a nonprofit, nonpartisan research and public education organization that has monitored tax and fiscal activities at all levels of government since 1937.

ASSEMBLYWOMAN STENDER: Okay.

MS. WILLOUGHBY: And I do not know who funds the Tax Foundation, but I certainly would be able to find that out for you.

ASSEMBLYWOMAN STENDER: I'd appreciate that.

MS. WILLOUGHBY: The major components of the state business tax climate index are: the corporate tax index rank, the individual income tax rank, the sales tax rank, the unemployment insurance tax, and the property tax. All of those go into its ranking to give you the overall ranking. So I can give you the specific rankings of each of those that, when averaged, give you the 50. So I can read that to you now, or I can--

ASSEMBLYWOMAN STENDER: If you could provide that to me, I'd really appreciate it.

MS. WILLOUGHBY: Right now.

ASSEMBLYWOMAN STENDER: No, you don't have to read it.

MS. WILLOUGHBY: Oh, sure. I have the report, which I'd be happy to give to all members of the Committee if you would like it.

ASSEMBLYWOMAN STENDER: Yes, I would like to see that. I think that would be helpful.

Thank you.

MS. WILLOUGHBY: And the other-- There's another report that's put out by the Beacon Hill Institute, which also has a similar ranking for New Jersey. And that is on government and fiscal policy, security, infrastructure, human resources, technology, business, incubation, openness, and environmental policy. But they put us also at the bottom.

ASSEMBLYWOMAN STENDER: Okay.

MS. WILLOUGHBY: And that's on a completely different scale of features, but we're still at the bottom.

ASSEMBLYWOMAN STENDER: Not in good shape.

MS. WILLOUGHBY: So I'd be happy to give both of those to you.

ASSEMBLYWOMAN STENDER: I'd appreciate that. Thank you.

MS. WILLOUGHBY: Yes.

ASSEMBLYMAN COUTINHO: Before Mr. Schaer, one question Melanie. Because both of these studies you just heard-- I don't hear anything about strength of consumer markets, quality of labor. Is there any other report? Because I think clearly New Jersey -- and you mentioned some of the tremendous strengths we have here in our state -- that's not being reflected. Is there, I mean, a more accurate, comprehensive analysis that could really give us a true picture of where we are competitively? Because I think it's clear that this is not the worst state in country to do business in, or else we wouldn't have the highest average income in the country -- I mean, we're tied with Maryland now -- if that was the case. Is there-- And I think we're doing ourselves a disservice when we continuously talk negatively about things here. There's no question there are problems. Part of the objective here today is to get to the root of some of these and see if we can come up with solutions to make things better.

But is there, I mean, a better study out there, you know, to really tell us where, you know -- how do we compete with Connecticut, or Pennsylvania, or Michigan for that matter -- that's more comprehensive, if

you follow me? Because you didn't mention strength of consumer market, and that's critical. You didn't mention quality of workforce, which is critical for businesses making a decision where to locate. Neither one of those studies mention that. So is there a better study that we should be, as a Legislature, basing our decisions on?

MS. WILLOUGHBY: Mr. Chairman, I do appreciate that question, and I think I would respond by indicating that when you poll businesses, you certainly are going to get a different response than when you poll the people who might live in the state. And so when you're talking to the CFOs or the CEOs, they're talking about decisions that they're making about where they want to locate and why they're making the decision to stay. And so, certainly, you might have retailers who are going to look at the strength of the consumer market, and they would make a decision as an industry to be in New Jersey. But you may have another business that doesn't depend on the consumer market but, instead, is depending on international markets; and whether they're in New Jersey or not doesn't make a difference.

Also, you mentioned the strength of the workforce. Yes, New Jersey does have a highly educated workforce, but that's becoming less and less of an issue as we have an international system where we can work anywhere in the world and still possibly work for a New Jersey company. So we don't have to live here, we also don't have to have our company here. We can be anywhere and have an educated workforce.

So, yes, that's important if, possibly, you're doing research in a laboratory where that's critical. But if you're a service business, that may

not be as important anymore. And so you may be losing companies that can really locate anywhere because of the technology.

So I have not seen studies that include those when it relates to businesses being polled. But I have here for you a study that New Jersey PRO did two years ago, which is our public policy foundation, which actually did all that polling of businesses about what was good about New Jersey, and why they wanted to be here, and what they wanted to see changed. And I'd be happy to also share this with the Committee.

ASSEMBLYMAN COUTINHO: And I'll tell you why I think it's important, also, that when we have a Partnership for Action that the Lieutenant Governor is working on, that we start focusing a little bit more on those positives. And I think it's all our responsibilities to do that as we go forward.

Assemblyman Schaer.

ASSEMBLYMAN SCHAER: Thank you, Chairman.

Thank you, Ms. Willoughby and Mr. Ryan, for being here.

Just as a side note before a question, if I may. I wanted to reiterate what the Chairman had just said so wisely. When Assemblyman Schroeder was kind enough to speak a little while ago, he spoke about the need to be positive. And I think that we're all in the same place on that. I think that the Governor's appointment of Mr. Bone and other people who are serving with Dennis in terms of -- speak positively of New Jersey -- is really the way we need to go. And I think we're being a bit disingenuous to ourselves if, on one hand, we're saying, "Let's speak positively," and on the other hand we're saying, "We're number 50." And, frankly, I don't care whether we're number 50 or number 1, the bottom line is: We need to

change things in New Jersey. We need to make things better. We need to improve our economic climate and do quite a bit in terms of employment.

Toward that end, if I could, Mr. Ryan, thank you so much for being here. It's a pleasure to see you again.

One of the issues that we know is confronting the State -- and not only the State, but the entire country -- but let's focus here, if we could -- is in terms of the issue of liquidity, and specifically the issue of liquidity for small business and for homeowners as well. Many people have spoken about the fact that our large money-center banks have received infusions from the Federal government, and yet we're not seeing those cash reserves being available to small business and to homeowners. We're also reading about major corporations issuing millions and, in fact, billions in bonds -- most recently \$4.2 billion by Microsoft -- in terms of garnering cash, but sitting on that cash. We're also aware that New Jersey has, in the past years, under past governors and our current Governor, done quite a bit in terms of trying to reinvigorate our local domicile banks, especially in terms of programs to have our Treasury invest in those banks, put New Jersey dollars in those banks.

My question is really: How do we get capital freed up? How do we get the money-center banks that are doing business in New Jersey? How do we get our own New Jersey banks domiciled in this state, to begin freeing up money so that this economy is going to move a little bit faster? I well-understand all of the points that were made in terms of long-term goals. I don't disagree with, I don't think, any of them. Certainly the tax structure is one which needs to be changed. Certainly a dollar that's being paid in regulatory or tax whatever is a dollar that's not being invested in the

business. But in terms of the more short-term orientation, certainly we can't expect our small businesses to survive if they don't have access to capital.

I'd be curious if we could get your thoughts on that.

MR. RYAN: Chairman Schaer points up a quite -- actually, almost an insolvable conundrum. There are sloshing around the money system literally trillions of dollars of excess liquidity in various places: corporate balance sheets, in banks, in the old shadow banking system, money market funds. There is plenty of money in the system.

Now, I'm not an expert in this area. I can only speak really from the viewpoint of a community banker. Ten years ago, 12 years ago, I was selling beer. I'm not an expert in the banking system. But what I can say is, there is a serious problem right now with loan demand. In loan demand, there's a great hesitancy, an apprehensiveness, if you will, among the small business community in this state. They're reluctant to take chances. They're reluctant -- even those who are most able to do so -- reluctant to invest in new facilities, and new products, and new lines of business because of the general economic problems in the state -- I shouldn't say the state, also the United States. We have just come to a flat spot in the economy. Statistically, we're informed that the recession ended, but it certainly doesn't feel like that. We came into this year in January at a 9.7 percent unemployment rate, both in the nation and New Jersey. We ended August at 9.6 percent, making no progress at all. Consequently, loan demand is quite depressed.

On the other hand, there is clearly a number of individuals who have been badly affected by the economic downturn -- as represented by the

high unemployment rate and the increasing rate of business failures, and indeed, in fact, bank failures -- who do have borrowing needs, but they're not always qualified to borrow because of the necessity that the first qualification of a loan is the ability to repay.

ASSEMBLYMAN SCHAER: Let me confess to you that just yesterday I had a gentleman from my district come to my office looking for a line of credit -- \$200,000, \$300,000, \$400,000 -- obviously, a relatively small amount. He volunteered to put up the equity in his home, which is probably around \$600,000 to \$700,000, as well as have his father personally co-sign for the loan. His father's net value is probably in excess of \$4 million or \$5 million. He can't get a loan.

I agree firmly that government, in many areas, needs to be doing less and, in many areas, needs to be doing more. But I must confess to you that the word *partnership* has got to be valued a bit more strongly. We cannot rationally expect government to be taking all of the steps that its taking and will continue to take unless there is responsibility coming from the business sector as well. I must tell you, we can't expect our banks to reasonably expect continued infusions of cash so that they can sit upon the cash reserves. We're not asking, we're not suggesting that they lower their standards to allow what happened most recently to happen again, which many would argue -- I would certainly argue -- was the cause for the economic conundrum that we're presently under.

But I must tell you, for business on the one hand to suggest that government needs to reform itself without business willing to take the same steps upon itself; and for business to recognize that it is a vital part of this process, and one which it can't be divorced from, and say that the

problem is government-- I won't disagree that government is a problem in so many cases when it comes to business and economics in general.

But I will tell you, this is a two-way street. And I honestly question whether or not business is taking a serious-enough approach in recognizing its part here. Government is being asked to change the tax rate. I think that's a great idea. We're being asked to change, environmentally, all that we can. And on the same grounds, we're being called upon to take a smaller role.

I think that we need to turn to business, in all due respect. I think that, somehow, there needs to be a meeting of the minds -- and I don't think that government needs to be a part of that meeting, by the way -- where our economic thinkers, our bankers, our financial institutions here in this state-- And I recognize and agree with Mr. Ryan that this is not a New Jersey problem. And those who try to point to New Jersey as the problem are being, frankly, delusionary. It's a national problem; it's a worldwide problem. But, candidly, we can do what we can do here in New Jersey at least to make some small steps. And I think fundamental to those small steps is recognizing that the issue that our small businesses confronts today is one of liquidity. And the only way for that crisis to be in any way taken account of is by having our banking institutions -- most especially those domiciled in this state, the beneficiaries of so much of what it is that we're doing governmentally -- look to themselves and find a way to free up capital.

MR. RYAN: Chairman Schaer, I certainly share your frustration on all those points, and I would ask you to please put us in

contact with your constituent. We would be happy to work with him as much as possible in order to find a solution.

At a community bank, we have a lot more latitude than the big, national banks. We approach any loan application with the object of how can we make it work, rather than put it against a template and see how we can kick it out of the system.

We are also a Small Business Administration, SBA, preferred lender, which allows us to issue, on our own approval, guaranteed government loans -- those which, of course, allow us to stretch our loan standards, because of the government guarantee, and make loans to borrowers who normally we would not under our normal lending criteria. So we'd be happy to take a look at that.

ASSEMBLYMAN SCHAER: And I appreciate it. Mr. Ryan, please know that I did take the opportunity to contact someone who is very close to your organization and the banking community in general, Mr. Fuso (phonetic spelling), and asked him to, indeed, see if he could help the young man who had come to my office.

But I must tell you that the frustration that I hear constantly-- The frustration about the SBA is gargantuan. Again, the hurdles that we are asking small business to overcome in order to get the loans are not worth it. And many times, the interest rates that are being charged by SBA are in excess of what people can receive for any number of other items -- even personal loans.

I've got to tell you, again, I don't mean to be critical. I really don't. I have such admiration for the work that you've done at Hopewell Valley most especially, and your associates throughout the state. And I

only wish that I could speak as positively about the money center banks that are doing business in New Jersey as I could about our own community banks. But I've got to tell you, in not wanting to beat a dead horse, if this is a partnership, let's make it a partnership. Let's find a way to free up funds, keep the standards that need to be kept. We don't want to have a redoing of what we did before where we gave out loans indiscriminately, and now we're paying the price for it, right? We need set criteria. Those need to be valued and looked upon clearly.

But at the same time, we need to recognize that if this is a joint effort, it's a joint effort. And we can't continue only to point fingers at government for not doing its part when we in the business community -- and I consider myself part of that community -- are not taking the steps that we need to be taking in order to reinvigorate this economy.

Thank you, Mr. Chairman.

MR. RYAN: Thank you, Mr. Chairman.

I share Chairman Schaer's frustration. At our institution, as well, we have, right now, \$40 million or \$50 million of excess liquidity which we would love to be able to find borrowers qualified to take loans. There is no benefit to us to have excess liquidity. Our overnight funds at the Federal Reserve pay us only .20 interest percent a year. We can go out and (indiscernible) U.S. Treasury notes. A five-year note, right now, is paying 1.15 this morning for five years. We have every incentive -- every business incentive to make loans. And we are-- Believe me, from the community bank viewpoint, we are doing everything we can to attract and identify qualified borrowers to get the money to work.

ASSEMBLYMAN COUTINHO: Thank you.

ASSEMBLYMAN SCHAER: Again, thank you. And thank you for the efforts you make personally on behalf of your colleagues of the banking community.

ASSEMBLYMAN COUTINHO: Thank you.

Assemblyman Rible, followed by Stender and Rudder.

ASSEMBLYMAN RIBLE: Thank you, Chairman.

I couldn't agree more with my colleague Assemblyman Schaer on the bank money -- how we need to get that released for businesses.

On the business rankings -- let's just take a step back to that. I agree, we should be positive. But I think we also need to keep reminding ourselves that we are 50th, we are dead last for the most part in business. And I think we need to remind ourselves as a Legislature to keep doing better. Because if we were ranked 15th, would we be here today meeting with folks? Would we be striving to be number one? And I think that's what we should be -- striving to be number one. So I respectfully disagree when you say we shouldn't be talking about it. I think we should be reminding ourselves, because it's not this current Legislature, but the past Legislature, that got us into this situation that we need to so dearly get out of so we can help the businesspeople who are here today.

And I do--

Melanie, I just-- You may not be familiar with this. I understand the Tax Foundation has put us in 50th. But it's my understanding as a result of just the initiatives of Governor Christie's Red Tape Review -- just the fact that New Jersey is actually examining the taxes and the mandates, we've actually moved -- there are a couple of groups that

have actually moved us to 48th, which is a little bit of breathing room -- not enough, but at least we're moving somewhere.

So it's my understanding that we -- just for the fact that we're reviewing this, there's budging. So I think that gives us evidence that the taxing and the mandates have been a problem for business in New Jersey for the rankings. So I just want to bring that point out.

MS. WILLOUGHBY: Thank you. I'll take a look. As I also said for Assemblywoman Stender, we'll take a look at other reports so that we can bring a number of them to the table.

ASSEMBLYMAN RIBLE: Once again, thank you both for being here today.

Thank you, Chairman.

ASSEMBLYMAN COUTINHO: Assemblywoman Stender, followed by Assemblyman Rudder.

ASSEMBLYWOMAN STENDER: Thank you, Mr. Chairman.

Mr. Ryan, when you were talking about the amount of money that you've got, and the liquidity you've got in your bank, can you speak to the issue of home mortgages? Because that's like another piece of this that I hear a lot about -- that people are having extraordinary difficulty getting mortgage money approved after they've gone through a process of trying to get an assessed valuation, etc. And it's my understanding that this is another piece of the puzzle that you were just discussing with Assemblyman Schaer.

MR. RYAN: It's a very important topic, Assemblywoman. I can only speak to it in the most general terms, however. We are a commercial bank. We do very, very few mortgages. The only mortgages we

do, really, are five-year adjustable mortgages. Any permanent mortgages -- our customers -- we refer them to a mortgage company to process it. And that's for many reasons. For us -- for a small bank such as ours -- unless we have a large, full-time staff of mortgages processors, we can't figure out how to do it. The regulations, the requirements, the possible penalties involved with issuing a home mortgage are enormous. And it's something that has now become really out of the realm of the expertise of a normal bank. We can write a mortgage note and a mortgage in six to eight pages. But when you go to a closing, you're going to have a stack of pages nearly an inch high. And that's from a variety of requirements: some good, some perhaps superfluous. But it makes it a very, very difficult thing for a community bank to do unless we really have a tremendous investment in it. So I really can speak at the problem only in the most general terms, because we're not involved with issuing mortgages.

ASSEMBLYWOMAN STENDER: Are those regulations all State, or is it a combination of State and Federal that makes it so onerous?

MR. RYAN: They're mainly Federal requirements. Right now, the closing statement, for instance, is in a constant state of flux with changes constantly being issued. And behind those changes are significant penalties to the originating bank if there are any mistakes made in there. So we really can't afford to be in the business anymore

ASSEMBLYWOMAN STENDER: I've heard it also said that one of the challenges within the home mortgage dimension of our world is that banks -- even the big ones -- don't want to hold the mortgages. That because of the disastrous effects and how they were being bundled, chopped, and resold, and whatever they were doing with them that caused

all this stuff to tank -- is part of the problem. There was a time not too long ago when banks used to actually loan the money, get it back, make the interest, loan it back out again. It seemed like a pretty straightforward, decent process. I mean, it apparently doesn't work like that anymore. Is that-- Can you comment on that?

MR. RYAN: That's a quite accurate description of what has happened in the industry. When I say-- We do hold some mortgages, but they're five-year adjustable mortgages. That is: We'll issue you an interest guarantee for five years. At the end of five years, according to an index and a formula, it will adjust. We're comfortable with holding that kind of a short-term instrument. But today I don't -- it would be very difficult to find any bank who will be willing to issue a 4.25, 30-year mortgage, and take the risk on that mortgage -- on that interest rate over a 30-year period -- onto their own books. Because with a sharp rise in interest rates, that investment would be significantly under -- be devalued very, very quickly. Consequently, what has happened now in the mortgage areas, particularly with the long-term mortgages, banks will originate them. They will be literally packaged on Wall Street, rolled up into mortgage-backed securities, and sold to the investment public. Then the bank gets their money back and can relend it. But to keep a 30-year -- at the risk of interest rates changes for 30 years on a bank's books -- would be a very, very difficult thing for any bank to do now.

ASSEMBLYWOMAN STENDER: Thank you.

ASSEMBLYMAN COUTINHO: Assemblyman Rudder.

ASSEMBLYMAN RUDDER: Thank you, Mr. Chairman.

I think a lot of what I was going to say has been said, so I will try and be more succinct from my perspective. I want to give a personal perspective. And a lot of it has been said by the folks who are testifying.

And I work for a Fortune 100 company. It's a large defense contractor. I do business development with them. Part of what I do is try to bring businesses and partners to this region in pursuit of major programs across the country and around the world.

I've got to tell you-- We talk about speaking positive about where we are in New Jersey. I had a meeting yesterday -- two days ago -- trying to attract a large technology company here. And we don't want to mention that we're 50 out of 50, but the reality is they wanted nothing to do with New Jersey. They wanted nothing to do with New Jersey. They're happy to partner with a large company like the one I work for. But to relocate here, put staff here--

And we're not just talking about taxes and so forth. It is what I mentioned earlier, it's the uncertainty. If you go back-- And there's no one piece of legislation. There's no one boogeyman in this whole process. It's actually a -- it seems to me to be a process of good intentions. So we do things like Paid Family Leave, we do things like Corporate Business Taxes to offset other things. The reality is, we're putting a significant amount of burden on business owners across the -- the people who supply the jobs.

And so we need to have a more positive outlook, and we need to start to address things from a more positive nature. But until we get our-- And we had a person in here talking about a specific industry. We need to fix our foundation. We need to strengthen our roots. We need to start to spread out and make sure they're attacking this from a holistic

perspective and not just one industry at a time -- not just banking, not just biotech, not just any particular -- the housing industry. I mean, we need to strengthen our roots, we need to strengthen our foundation. Because if we want to attract a whole host of businesses, a diversity of businesses--

And if we just do one thing at a time, and we do these bills that are well-intended bills, well-intended to provide-- Wwith insurance -- that we're going to add this new requirement for an insurance policy, we're going to add a new requirement on a business owner for their employees' benefit. And that's the thing that actually scares employers. So you would only say the word *business* -- because big business, or what have you -- it's the employers. And we talk about taxes on the rich or the wealthy. We're not talking about taxes on the rich or the wealthy. We're talking about taxes on employers. And they are the ones who are leaving this state. So that has been the crux of things.

We know what the problem is. It's not new information. But we can't, as a legislative body, continue to do one well-meaning thing after another that, in fact, will scare businesses away. When I have that meeting with those businesspeople from across the country and around the world who I want to move here, that should be a more positive experience. They can go next door to Pennsylvania, Delaware, Maryland, Connecticut, New York and have a more positive experience. So we need to understand what the foundation of our problems are.

And I do appreciate this hearing. This is a passionate thing for me because I experience it every day. But we have to do our -- we have to take care of our foundation, we have to take care of our roots, and we also have to be positive about the benefits of New Jersey -- at the same time we

have that ability. But I caution this body to -- all the well-intended bills that we have in the hopper -- to be cautious of that, because there are repercussions. It is death by a thousand good ideas and well-intended ideas. The reality is that we're scaring businesses away.

ASSEMBLYMAN COUTINHO: Thank you, Assemblyman.

Any other questions? (no response)

All right, I'm going to wrap up these two -- quick questions.

Mr. Ryan, you had mentioned that demand is definitely an issue affecting how community banks are working. So could you-- Do you not feel that it's appropriate for the Legislature to focus on job creation to try to create some demand? I mean, there's been some sentiment that maybe we're spinning our wheels by not just singly focusing on property tax reform. I believe we can do more than one thing at a time. We need to do government reform and job creation. Do you feel that focusing on job creation is of paramount importance for the Legislature at this time?

MR. RYAN: I would think that job creation is a priority for the Legislature at all times, particularly now.

The points I brought up were not high-cost points, they weren't subsidization points. If the Legislature could do something to increase our standing in the business community, and to keep wealthy individuals and people who are willing to invest in businesses here so that the capital formation pool remains -- such as phased-in adjustment of the ways capital gains are treated in the state, or a coupling of the estate tax with the Federal estate tax, and something to perhaps tighten up the local property approval process so that there is more certainty in speed and decisions -- those would be as much symbolic as they were monetary. But they would have a great

impact in establishing some confidence in the business community and assisting with private job creation. Because that's where it is. Sustained economic development is really the only way out. And we have to get people investing in businesses.

Assemblyman Schaer brought up some excellent points about the amount of money in the system. This past two weeks, Microsoft issued \$3 billion worth of bonds for three years at three-quarters of a percent. The purpose of that money was not to expand their business, develop new products, or enter new lines of business. It was to buy back their own stock. We need to have confidence. And some positive action of the Legislature on some of these small points that are not big -- they're not big dollar points -- could reverberate, really, across the country, and improve our standing, and get some folks here -- a little more confident that this is going to be a business-friendly place and that we can grow the economy.

ASSEMBLYMAN COUTINHO: And, Mr. Ryan, would you agree that, for example, investment tax credits and incentives, which would help businesses with their spreadsheets, would facilitate, let's say, more lending on the part of community banks and banks in the State of New Jersey in loan guarantees -- for example, partial loan guarantees from EDA, as an example?

MR. RYAN: Well, they certainly could. They certainly could. And there's, of course, an economic waterfall effect when a large company reestablishes a facility here with some tax benefits or subsidies; or the hiring, and the taxes, and the economic activity generated by the new employees is very, very important. And that would also go toward

improving our unemployment rate here. Yes, you're absolutely correct. I would agree.

ASSEMBLYMAN COUTINHO: Thank you.

And, Ms. Willoughby, I thank you also for being here. One question I had for you is: As the State's largest business association, would you say -- would you not say that the business community is following, very closely, the Transportation Trust Fund; and that transportation infrastructure is the key issue for the future of the State of New Jersey and the business community?

MS. WILLOUGHBY: Yes, we are following, certainly, the direction that the Governor is going. We're still unclear about, certainly, the future of the ARC Tunnel. I believe he has not made a decision on that yet. And the funding for the Transportation Trust Fund is very, very important.

Historically, though, for you to know, NJBIA's members have not been in favor of a gas tax. And so when we're talking about the funding of the Transportation Trust Fund, we have to take that into account.

ASSEMBLYMAN COUTINHO: All right. Now, the business community was also involved in a lot of discussions with the ARC Tunnel. And it's clear that the ARC Tunnel is a critical project for the future of the State of New Jersey. Would that be accurate, from your Association's perspective?

MS. WILLOUGHBY: Yes. As an Association, we have not taken a formal position on the ARC Tunnel because we have focused on other issues of the day: primarily tax issues and economic development

issues not relating to the ARC Tunnel. So I could not be responsive to your question at this time.

ASSEMBLYMAN COUTINHO: Okay. But in reference, again, to the general issue of transportation infrastructure, it is a major issue for the businesses community -- making sure that we have a sustainable transportation infrastructure is critical to the business community of the State of New Jersey.

MS. WILLOUGHBY: Yes, it's an important issue to the business community. But we also have to look at and weigh all of the issues that are important to us at the same time. And so for our businesses, I will have to tell you that whenever we survey them, tax issues always come out at the top. Transportation issues are at the bottom. So I realize that, as a Legislature, you're looking at the funding issue for the Transportation Trust Fund as a big job creator. But for our members -- when we're talking to them, they are talking to us about tax policy, about the cost of labor in this state, and about the high cost of property taxes, and health care, and energy. This does not come up.

ASSEMBLYMAN COUTINHO: Now, Assemblyman Schroeder, actually earlier, very eloquently stated one of the huge advantages of the state obviously is its location and its transportation infrastructure. So you're telling me this is not a major consideration for companies when they come into the State of New Jersey?

MS. WILLOUGHBY: I'm telling you that actually, when we survey our members, this is not their top issue, it's not in the top five of their concerns. They don't mention it to us when they're talking about things that they feel we need to change. Certainly when companies are

looking at being able to move their merchandise-- New Jersey is a corridor state. We have always had a benefit of being in the -- location, location, location. But when we ask them about their important issues, transportation does not come up as the one that they mention first, second, third, fourth, or fifth.

ASSEMBLYMAN COUTINHO: Thank you.

Assemblywoman Stender has a follow-up.

ASSEMBLYWOMAN STENDER: Thank you, Mr. Chairman.

But yet they did take time to say they didn't want the gas tax to go up. So my question is: What's the support? What's the proposal that comes from the business community in terms of how to fund the transportation network that is necessary as a corridor state?

MS. WILLOUGHBY: That's a very good question, Assemblywoman.

ASSEMBLYWOMAN STENDER: So you want it for nothing like everybody else. (laughter)

MS. WILLOUGHBY: I'm not saying that there's always a rational response when-- Because whenever you pose the question of taxes to a business, they are going to say that they are not in favor of an increase in taxes. And that certainly means that then we have to, as an organization, try to bring a rational approach to some of the policy decisions that are before us. But as of right now, I will tell you that our Association has, in the past, not been in favor of the proposals that were put forward for raising a gas tax. It doesn't mean that now, going forward, there might not be new proposals put on the table that we might very well be able to support. But I can't answer that, because I haven't seen details.

ASSEMBLYWOMAN STENDER: Well, I would just say that aversion to taxes is as American as apple pie. I think we can all agree on that. But I think, as adults, and as businesspeople, and thinking people, one of the things that we have to be honest about is that when we want and need investments, that they -- with that comes an explanation of how it's going to be paid for. And maybe it's never been a big issue because the Transportation Trust Fund has been limping along. But it's about to come to an end in the absence of an additional revenue stream. So I would certainly hope and think that the business community would be very interested in how that's going to be sustained so that they can continue to move their goods, services, and people around the state.

Thank you.

MS. WILLOUGHBY: I appreciate that, and I will take that back.

ASSEMBLYMAN COUTINHO: Assemblyman Malone.

ASSEMBLYMAN MALONE: Yes, thank you very much, Mr. Chairman.

I think probably the easy answer to that is, I guess, most businesses -- most small businesses will look at a gas tax as just an added cost, onto receiving their goods and on the trucking industry, that will increase the cost. I mean, I know there are some benefits of looking at maintaining a transportation system. And hopefully the Governor and his staff will be working toward that solution as we move toward the end of the year.

I just want to ask you one-- Because I remember a long, long time ago-- What, in your career, was the most damaging, pivotal moment

in the business life of New Jersey that occurred in this room to damage and set the framework for where we are today?

MS. WILLOUGHBY: Assemblyman Malone, I appreciate you bringing that up. (laughter) Well, I would have to say that -- for many of you who may not know, I've been in Trenton for 34 years, so there are certainly lots of moments I can bring up. But the one that is the most critical was the way that the business community was treated during the McGreevey Administration, where the business community was seen as not paying their fair share, and the cost of the corporate tax was increased from \$1 billion to \$2.5 billion. And so when you're talking about taxing businesses an additional \$1.5 billion, that was done also with a complete and total trashing of business as not being truthful, honest, economic growth engines. And there were a number of things that happened -- was where they created, if you recall, the gross receipts minimum tax. They imposed a moratorium on the use of NOLs. He did quite a number of things that have, since, been repealed by the Legislature; because you recognized that, in essence, those items that were placed on the business community were part of what drove them out of this state, and how they were being treated, and the attitude toward them.

ASSEMBLYMAN MALONE: Have we really ever recovered from that trashing that business took in 2002?

MS. WILLOUGHBY: I do believe that set a tone, unfortunately, that businesses -- we're still recoiling from. And that many of them left, and they never came back. So they left as a result of those policies. But I believe that's why New Jersey's been lagging overall. Because you had those policies as well as, then, layer upon layer of

additional rules and regulations, and additional laws that were passed in addition to this tax policy that, as I said, had gone over -- been done in the last decade. And that's why I think New Jersey's behind.

But I think we can grow out of this by sending that positive message that we're willing to take a look at what we did and to change it, to repeal it. I'm not asking for new laws, for the most part. I'm asking you to repeal the laws you passed. (laughter)

ASSEMBLYMAN MALONE: And do you think that the work that the Lieutenant Governor's done with her Task Force is really going to send a message to business -- not only in the state, but outside the state -- as to really where we're heading, and what kind of basically stable foundation-- Because I think that's really-- As Scott mentioned, I think most businesses aren't necessarily not willing to pay taxes. They just want to know a stable framework under which they can build a company here; not know that the day they build it they won't be vilified and basically taxed and regulated out of the state.

And I think that if we can come up with some ways to have empowerment zones -- and I don't mean UEZs -- but empowerment zones where we, the State of New Jersey, can basically enter into some kind of agreement that will allow companies to have a 20- to 25-year stable framework in which they can build a company and maintain that company for a reasonable period of time-- Unless we're willing to do that, I don't know, with the instability that has occurred over the years I've been here, that any major company is going to continue to trust New Jersey without some kind of basically absolute rock-solid commitment that their basic

premise of being here will not be changed dramatically from one year to the next, or one administration to the next.

That's more of a statement than, really, a question.

MS. WILLOUGHBY: I understand.

ASSEMBLYMAN MALONE: But it's just debilitating when you talk to companies and businesspeople.

Thank you very much, Melanie.

MS. WILLOUGHBY: Thank you, Assemblyman.

ASSEMBLYMAN COUTINHO: And just to wrap up, I think when we look back-- One thing you mentioned earlier, and I think it's a positive note as we move forward -- would you not say that over the last two years, even before this Administration came in, that this Legislature, on a bipartisan basis, has been working very aggressively to make New Jersey much more business friendly? Would you say that is an accurate statement?

MS. WILLOUGHBY: I would, and I absolutely indicated that in my statement -- that I feel that there was a recognition, as a result of the 2007 recession, that New Jersey needed to have some of its laws looked at, and examined, and changes made. And you did start that process.

ASSEMBLYMAN COUTINHO: And, you know, we look forward to continuing to work with you so we can make more of these changes. That's exactly what this hearing today is: to bring out some of the things that we need to focus on.

While other people in leadership are pushing along government reform agendas, people such as myself and our regular Economic

Development Committee will be pushing these additional reforms so that, simultaneously, we can make the state better for everyone.

Thank you, both, for being here.

MR. RYAN: Thank you.

MS. WILLOUGHBY: Thank you so much, Mr. Chairman.

ASSEMBLYMAN COUTINHO: Okay. Next we have, from NAIOP, Mr. Michael McGuinness.

Good afternoon, young man.

M I C H A E L G. M c G U I N N E S S: Is this on? (referring to PA microphone)

ASSEMBLYMAN COUTINHO: Yes, it is.

MR. McGUINNESS: Okay. Good afternoon, Mr. Chairman, members of the respective committees. I'm Mike McGuinness, Chief Executive for NAIOP New Jersey. We're a commercial real estate trade association. Our members control, own, manage about 500 million square feet of space in the state.

Yesterday, I attended a real estate conference and was not surprised to hear a lot of grim news. And just to present a few facts up front: Our national recession continues, and our industry has not yet bottomed out. The commercial real estate industry, whose value has dropped about 40 percent since 2007, continues to deteriorate but at a slower pace than a year ago. Values and vacancies are nearing the bottom, but rents and net operating income are likely to remain pressured through 2011. Vacancies for both office and industrial space are at record levels.

Any meaningful recovery depends on job growth, access to debt capital, and consumer spending. Unfortunately, employment growth,

consumer spending remain anemic. The leverage continues across the economy, and credit remains a challenge for small businesses in our industry. Lenders are facing foreclosures, delinquencies, and defaults of CMBS loans which were made in the easy credit years back in 2005-2007. Nearly 13 percent are in special servicing, with rising numbers expected for at least the next three to four years.

Nationally, office construction is down about 36 percent from one year ago, with no end in sight. The volume of distressed assets continues to grow. And this applies to New Jersey as well. The industrial sector is fairing somewhat better, but vacancies are still in the 15 to 20 percent range in some markets.

Those markets that will recover are likely to be the primary markets. We're talking about those, perhaps, along the Gold Coast in Hudson County. However, there's concern with a lot of the leases that are coming due with tenants who had fled lower New York a number of years ago. So we want to be sure that we're able to retain those tenants.

Now, let me just talk about some recent progress by the Legislature and the Administration which we feel does offer some hope. We're cautiously optimistic. We're certainly grateful to you, the Legislature, and the Administration for your support and enactment of things like the Licensed Site Remediation Professional Act, the Permit Extension Act, Time of Application Act, the Economic Redevelopment Growth Grant, Urban Transit Hub Tax Credit. Those are all very meaningful reforms.

NAIOP is pleased with the Christie Administration's focus on real regulatory reform that is aimed at eliminating redundant, archaic, and

costly rules that, once implemented -- the reform, once implemented, will provide businesses with more dollars to hire the unemployed, provide benefits to workers, and further invest in our great State of New Jersey.

The recent announcement of the Port Authority of New York and New Jersey to commit \$1 billion to address the air draft problem below the Bayonne Bridge is also very welcome. But we must keep this momentum going and demonstrate to the shipping interests around the globe that New York and New Jersey want them here, since the combined commercial real estate logistics industry accounts for about 20 percent of our State's gross domestic product. We're also the number three port in the country. So that's a very important thing for our industry.

On the other hand, we're very concerned -- with any hope of a recovery taking hold in late 2011, we think that may be diminished when the economy faces higher taxes. There's the expiration of the national tax cuts, the end of the Federal government's stimulus programs, and a projected \$1.4 trillion deficit. So we do have a lot of reservations about any recovery.

Our work is certainly not done. *Carpe diem*, as my high school teachers used to say -- we have to seize the day. There are several pending legislative initiatives that, once enacted, will signal to the employers already here, and those thinking of coming here, that an investment in New Jersey makes long-term sense. I'm referring to those bills and initiatives that would further reduce fees and administrative burdens that are imposed on employers and businesses that, at present, make New Jersey unaffordable.

These measures would allow New Jersey to better compete for jobs that are in short supply to the nearly 10 percent that are currently unemployed. I'd like to highlight just a couple.

First, the Assembly must complete its work on the reform of New Jersey's affordable housing policy. We need to permanently eliminate the jobs tax on all future, nonresidential development if we are serious about long-term job creation in the state. I'm referring to the fee that is currently set at 2.5 percent of construction costs. Any hint of a graduated fee on new investment in New Jersey is a huge mistake and one that we will regret for a long time. The economy has reset itself, and our industry, at a minimum, will never be the same. You, as policymakers, should not support a flawed policy that is intended to fund affordable housing, which is as precious as open space and clean water, by linking it to a crippled industry that would never, in the best of times, generate the necessary revenue stream.

Second: The policymakers in Trenton must work together to assure that New Jersey's transportation infrastructure is safely funded in a stable, permanent, and dedicated fashion. NAIOP, for over a decade, has been on record in support of a gas tax increase, as we see it as a users' fee. Whatever the solution, however, we need swift action so that we are in a position to leverage this new revenue stream before the next session of Congress implements substantial transportation funding reform, which we understand is coming. Our industry, the logistics industry, and commuters deserve nothing less.

Last, but not least, I'd just like to mention that the Legislature must take action now on the municipal tool kit package of bills. These

measures are intended to help local governments better control their spending, which is out of control, unsustainable, and driving businesses and residents out of New Jersey.

I thank you for this opportunity. And we'd be happy to answer any of your questions.

ASSEMBLYMAN COUTINHO: Thank you.

Mr. McGuinness, before I open it up for questions from other members of the Committee, let me also thank NAIOP for your involvement over the last two-plus years in a lot of the major economic development legislation that's already been referred to here. You're a very prestigious organization, and you've been influential in helping us to craft a lot of this.

I had a-- You mentioned, obviously-- And one of the things I appreciate about your organization is, while it's very business-oriented, you have a public policy perspective, and obviously you have information on a wide range of issues and how they affect the business community at the end of the day.

And you mentioned the TTF. Would you care to comment on the possibility of, let's say, New Jersey actually pulling away from the ARC Tunnel project and how detrimental this would be for the economic prospects of the State of New Jersey moving forward?

MR. MCGUINNESS: Well, what I would like to say, Assemblyman, is that the-- We wouldn't have this problem, we wouldn't have this ARC Tunnel problem, we wouldn't have any transportation problems if we had implemented, years ago, a stable source of funding for transportation. So that, I believe-- They're all interrelated. You can't

separate the two. We need, once and for all, a stable source of funding. So, again, all those issues go away once you take care of that fundamental issue.

And our members are more reliant on movement of goods, freight, from Point A to Point B. The Port is huge to our industry. So we want to be sure that we keep the momentum going on getting the infrastructure needed in place to address the movement of goods, especially out of the Port of New York and New Jersey, and also down in South Jersey. Because that's what our industry relies on.

ASSEMBLYMAN COUTINHO: And to be clear, your organization -- you mentioned you're in support of the gas tax. It seems like every responsible entity seems to be in favor. I'm not-- Even Commissioner Simpson himself, in the transition committee report, mentioned that a gas tax is the way to go. So to be clear, NAIOP is on record in favor of a gas tax to permanently fund -- let's say committed to the Transportation Trust Fund.

MR. McGUINNESS: Yes, we have been on record for more than a decade. Assemblyman Wisniewski, who I see stepped out, is well-aware of that. And we've testified before numerous committees, numerous administrations to that effect. We are very eager and anxious to see what the Governor has in mind. We will support whatever results in immediate -- the sooner the better -- implementation of some sort of funding for our transportation. Because we are so heavily dependent on a good system being in place.

ASSEMBLYMAN COUTINHO: Thank you.

Questions? (no response)

No questions. I guess it must be lunch time. (laughter)

Thank you very much, Mr. McGuinness, for being here.

MR. MCGUINNESS: You're welcome. Thank you.

ASSEMBLYMAN COUTINHO: Okay. Moving right along, we have Mr. Jim Kehoe, from the New Jersey State Association of Pipe Trades.

JAMES B. KEHOE: Good afternoon, everybody.

On behalf of the 10,000 members in our organization, we appreciate the opportunity to give you our opinions of what can happen in the State for some good economic recovery.

We start with power generation. The one thing the State continues to have is, each Administration that comes in, there is a new energy policy. Maybe it's time -- and I know it's a dangerous thought -- but maybe the energy policy should be statute so that it's something each administration can keep following. A little different spin, but each time you get an energy policy, there isn't time enough to follow the policy until another governor steps in.

There are numerous projects in the state that are on the drawing board or permitted, ready to go in the power generation industry. Probably at least \$28 billion worth of projects are laying out there. You have a Bayonne powerhouse; Spectra Energy, that's a pipeline that goes through Jersey City up in the northern end. You have Liberty Gas, which would bring gas into the state which would give the opportunity for numerous cogeneration plants, which would have clean gas as their fuel. You have the PurGen project, which is a clean coal project which has the endorsement of the Linden Council, as well as the people who live in that area. You have LS Power, which is a fully funded project in South Jersey.

It's a \$2 billion plant. That has all its permits. It's waiting for some augmentation of some rules by the BPU. And last, but certainly not least, a \$16 billion nuclear facility that would be down at the Salem Nuclear facility by PSEG. PSEG's current value of the company is \$16 billion. Obviously, they need to have a partner, and probably that partner should be a forced marriage with Exelon. That should be interesting.

The one thing about power generation in the state that we don't have-- We don't have something that ignites the opportunity for investment in power generation. We have some solar units my good friends with the IBEW have been putting together in the last several years, which is good. You have some wind coming in, and that's good. These technologies still have a way to go before they become affordable. In between, a nuclear power plant-- If they started today for the permitting process with the NRC, for the time it takes to get through that process, it's about six or seven years. Construction would be about five or six years. So you're talking in the neighborhood of 14 years before that plant would be built. The gas-fired cogeneration plants, which need help from the BPU to encourage investment-- They need to have certainty of what the rate is going to be. Right now, in the auction, they can only get a three-year guarantee of what the price would be. They need at least 10 years of what a price should be for what they would get for their rate. And that would be a change -- a major change in the auction. And that needs to be encouraged by the BPU -- to make that standard change.

When people are looking to come to the state, one of the things they look for is certainty of power. Today, we're on the max on what power is available, with the uncertainty of Oyster Creek. You have a lot of old

coal-fired or fossil fuel plants that are around the state that, number one, are very costly; number two, they cause a lot more pollution than a clean gas cogeneration plant would be.

If we don't start investing in power in the State of New Jersey, it's going to come from somewhere. And if it's in Pennsylvania, the air quality standards are a lot different than the State of New Jersey. So if we don't build them, we're going to be susceptible to the sustaining winds of these newer plants that were built just across the boundary -- whether it be coal or whatever fuel that would be chosen. We would be susceptible to even more pollution because of the prevailing winds.

The projects -- the power projects are all based on private money. They're not looking for many dollars from the State. And when you can bring in \$28 billion worth of construction, of investment that is private money, that's a big deal. If you go to the major projects -- a couple of them that are unfinished that are not power-generated-- You have the infamous Xanadu project. That certainly needs some help, some propping up. You have the Revel Casino in Atlantic City, followed by-- In fact, I was having a discussion with Senator Whelan this morning. He indicates his 200-room piece of legislation in Atlantic City seems to have some legs, because there have been several other inquiries during the last couple weeks. We certainly need to come up with some ideas for the Meadowlands, and that works with, I know, what's going to happen in Atlantic City.

Camden and Newark -- they need some incentives for people to come to town to develop projects. Probably some tax abatements for each town are well-needed. The transit village idea -- there's a project in Camden, there are a couple of projects in New Brunswick, there's a project

in Trenton, there's a project in Hamilton. And that's another grouping that would probably -- and there's that Urban Transit Tax opportunity that's out there. But there needs to be some help for these projects.

Right next to the Revel Casino in Atlantic City there is probably the single largest urban renewal project that could happen in the United States with the ERG, the Economic Recovery Grant, of-- Over the next 20 years, the guess is \$300 million. If that money -- which I know it can be funded up front, along with the future CRDA money of say \$200 million over the next 20 years-- If that money is bonded up front, that project can be up and running in the next several years. In fact, in Atlantic City, it wouldn't be the Revel that would be the big news. That project -- it seems to have some new legs and seems to be getting away from Morgan Stanley from what I've heard. But this project of redoing the South Inlet section in Atlantic City is a big deal. It would be, like I said, the largest urban renewal project in the state in a lot of years. And that up-front money could get the job rolling very soon. There are plans for bringing some culture into Atlantic City around the lighthouse in that area. You have the waterfront properties, which would be some boutique hotels, some high-end condos. And there is also a plan for workforce housing and people from the community being able to live there.

What we seem to suffer in the State of New Jersey is what we refer to as the *three Ds*: DCA, DEP, and the DOT. If you're across the River in Pennsylvania, it takes about 18 months for a project to come from the paperwork piece -- the soft-cost piece -- to be able to have that job be constructed. It's 18 months across the River. It's almost double in the State of New Jersey. It's about 32 months. We need to fix that, and it

can't be fixed by someone who -- someone new who goes to an agency. We've had a lot of new people over the last eight years, and no one has made an impact. And if you're someone from outside who wants to come and invest in New Jersey, all you hear is a lot of horror stories. And unless you're pushed up front, the timeline could even be worse than the 32-month period.

If we don't-- Whether it's Atlantic City, whether it's Camden, or Newark, if we don't institute the ability to have safe and clean communities with decent schools, no one is going to want to come and invest in Atlantic City, nobody is going to want to come into Newark or Camden. There are some great opportunities where I'm from. I'm from down in South Jersey. We look at Camden as being a lightning rod over the past 25 years since I've been involved in this world. It has a great view of Philadelphia. That's something that Philadelphia doesn't have. Newark has some great locations and some great abilities as well.

We in South Jersey look forward to the initiative the Governor started back in July. It's taking too long, and we hope that both the Assembly and the Senate, and the State House, can all work together to put that program together. That would also include work for our friends up at the Meadowlands.

I will say in closing that the New Jersey Pipe Trades is in favor of the gas tax, because that's something that gives perpetual help to having good transportation systems in the state.

Thank you.

ASSEMBLYMAN COUTINHO: Thank you.

Questions for Mr. Kehoe?

Assemblywoman Jasey.

ASSEMBLYWOMAN JASEY: Pardon my ignorance, but you started-- The first part of your testimony had to do with projects that are funded that are ready to go. Can you give me the short answer to why they're not underway?

MR. KEHOE: The short answer is the 3 Ds plus the BPU. There needs to be a stimulus from the BPU. And one utility company in the state, PSEG, can't always be at the head of the parade. We need to-- When others are investing in power, that takes their ability to sell power away from them. So that's part of the problem. And you need to be able to, when these auctions happen in the state for power-- I think there's a total of 24,000 of these auction points that are given out over a three-year period. None of them are dedicated to new power.

The person who represents the ratepayers at the BPU -- they seem to have a good understanding that ratepayers are going to need to have new power to support and to have a certainty of what that cost is going to be. And if someone is going to lend money to someone building a plant, there has to be certainty of what that price is going to be for at least the next 10 years. And that program doesn't exist today, but it could.

ASSEMBLYWOMAN JASEY: Thank you.

ASSEMBLYMAN COUTINHO: Assemblyman Malone.

ASSEMBLYMAN MALONE: That program would have to be a national program, correct?

MR. KEHOE: No.

ASSEMBLYMAN MALONE: Well, if we're generating power, let's say, at a new nuclear power plant down in South Jersey, doesn't that power go into the grid?

MR. KEHOE: It does.

ASSEMBLYMAN MALONE: And from that standpoint, you'd still be able to buy power from any other location. So there's nothing to guarantee you'd buy it from--

MR. KEHOE: But in the state, the period of time that you're able to go out and have a certainty of price is only three years. The State-- Even though we're part of an auction that's regional, the State has some control to regulate that and to encourage, within the State, new power. Because if we're not going to build it, and we're not going to supply it, we're going to get it from elsewhere and it's going to cost more. And it most likely is going to come from Pennsylvania. And the prevailing winds are going to give us more pollution.

ASSEMBLYMAN MALONE: Thank you very much.

ASSEMBLYMAN COUTINHO: Assemblyman Egan.

ASSEMBLYMAN EGAN: Yes, Mr. Kehoe.

ASSEMBLYMAN COUTINHO: Followed by Chivukula.

ASSEMBLYMAN EGAN: I'm sorry?

ASSEMBLYMAN COUTINHO: You're on.

ASSEMBLYMAN EGAN: Thank you.

You're right on the money about the alphabet soup about the agencies that are a problem. One thing you didn't speak about was the Roseland project, which has been approved and is now being held up, which would create about 300 or 400 jobs. It would bring power into New Jersey.

MR. KEHOE: And those jobs, Joe, from what I understand -- and they were not in the report I had -- would almost be immediate.

ASSEMBLYMAN EGAN: It would start tomorrow if it was approved. And the approval is there.

The thing about the BPU, about the SRECs, about knowing the rate three years down the road is very critical to people doing solar jobs. And everybody should realize that if people don't know what they're going to get in an SREC, they're not going to put these projects forward. It is very, very important that that gets resolved in the very near future.

MR. KEHOE: There's a piece of legislation I think that should be coming out, from what I understand, that they're looking for 15 years to have.

ASSEMBLYMAN EGAN: Even 7 or 10 years would work for most of these people who are willing to invest their money. But three years is an uncertainty that doesn't work. And I sure-- All of the members here -- that we all should work bipartisan to get that resolved very quickly. Because that's very important for this solar industry to go forward.

Thank you.

MR. KEHOE: And what's amazing is that when the BPU has their hearings -- and they had a technical conference -- the woman who represents the ratepayers -- she encouraged being able to have a system where you can go maybe 10, 15 years of having what the rate would be. Because without that, you're not going to have anyone invest in these companies that are looking to build these plants.

You know, my friend Joe -- what he does in his real life -- he's with the IBEW, and solar is a good source of employment for them.

Cogeneration plants are a good source of employment for most of the building trades. And without creating an atmosphere for people to build plants for a company that's coming into New Jersey -- they want certainty on what the cost of power is going to be, but also the certainty whether there is going to be power for them to operate. So it kind of has numerous tentacles.

ASSEMBLYMAN COUTINHO: Thank you.

Assemblyman Chivukula, our resident energy expert. (laughter)

ASSEMBLYMAN CHIVUKULA: Thank you, Mr. Chairman.

I think a couple of things-- I want to clarify what was said before. I want to make sure that we set the record straight.

As far as renewable energy for the solar program is concerned, we do have the renewable portfolio standard that is set for 15 years, starting from 2011 to 2026, where the alternate compliance payment is fixed by statute for five years. So there will definitely be certainty. After the fifth year, meaning starting 2017, the Board has the ability to set the alternate compliance payment -- that's what keeps the business model, to ensure their certainty.

And I think the point you were making was about basic generation systems. After the EDECA of 1999, I think, that came out of the -- as a statute; and after the update of the energy master plan in 1999, what happened was that the-- You have three-year auctions for the generation systems to get the electric supply and the capacity. What has happened is that the PJM, which is the independent systems operator, cannot ask states to create more generation in their states. But they can only have the ability, because they work under the FERC -- which is the

Federal Energy Regulating Commission-- And they can ask for upgrades to the transmission systems. And so they are constantly looking for upgrades to the transmission systems. So that creates a system that's reliable.

What I think the point -- Mr. Kehoe's point is that when you do that, you are encouraging more out-of-state power to come into the state, basically. Most likely it is going to be coal-based, which is a lot cheaper. And I think that's the point he's making. The point he was also making was that, if only we can come up with a way to ensure certainty for in-state generation-- For example, if you want to build combined heat and power plants so that -- large megawatt capacity. And right now, three years is not enough for them to go to the Wall Street financial market and get the money. If you increase it to 10 years -- and that is going to make it easier to justify that. They have the-- I think one of the companies he mentioned has the air permit, but they're looking to make sure the financial model is viable. I think that's the point he was making.

One of the questions I have for you-- I made a long statement, but I want to ask a question. Have you been-- I know the Board has been looking at the energy master plan, and they've been reviewing it, and they're going to come up with the recommendations -- updated plan in the next couple of months or so. And I don't think they're addressing this particular issue about how to increase the generation capacity in the state. I think that's why we have to -- I think there's an opportunity there--

MR. KEHOE: Which can be part of our recovery.

ASSEMBLYMAN CHIVUKULA: Right. I think that's the point you're making. I think we can. There are opportunities where we can tweak that type of policy -- the regulation so we can make it happen.

As far as nuclear, I think nobody's talking about it. You're right about it is-- You need to think about base load generation. Base load comes from coal, natural gas, nuclear. Wind, solar, all those things are intermittent load. They come and go. So we need to focus on base load generation so that way -- to meet the demands of -- New Jersey's energy demands.

MR. KEHOE: You know, if I could just comment.

ASSEMBLYMAN COUTINHO: You know what? Let's hear from Mr. Kehoe, and then I think Assemblyman Malone has a point of clarification.

MR. KEHOE: Joe, you go ahead, and then I will go.

ASSEMBLYMAN COUTINHO: Let's go to Assemblyman Malone first.

ASSEMBLYMAN MALONE: It's my understanding -- and maybe my friends from the IBEW in the back can tell me, has the Mercer County -- has the Duck Island plant started back up yet?

UNIDENTIFIED SPEAKER FROM AUDIENCE: No. They're getting ready to do start up on the next -- the last phases.

ASSEMBLYMAN COUTINHO: He's coming up next.

ASSEMBLYMAN MALONE: Okay. Because I just-- You know, the generation capacity-- I think one of the reasons they shut down the Mercer County plant is because it was cheaper for them to import energy than have that plant running. So we do have excess generating capacity in the state. It's just cheaper to bring it in from out West.

ASSEMBLYMAN CHIVUKULA: Through you, Mr. Chairman, I think that is not necessarily true. I mean, there is-- There are--

If you really look at it, there are a lot of plants -- coal plants -- coal and natural gas plants. They're 30 years old. And with all the new air quality requirements and what else is happening, you have to upgrade them. In order to keep up with the technology, it is going to cost a lot of money. And so if I (indiscernible) a utility, and I think if I (indiscernible) a generator, I will look at it and say, "I'll retire those things." Now, you have to take those things into account also. If you don't fix up the -- upgrade the existing plants, which are -- they are 20 and 30 years old -- you are going to lose the generation. So when you are planning for the long-term, you need to think -- not just one plant. You need to look at the overall state and see, "What are we doing with respect to our peak energy plants which are very dirty? What are we doing with that? Do we have enough distributor generation capacity? Do we have enough combined heat and power plants?" We need to figure out a way to come up with multiple sources so that way we can meet the needs of the state.

MR. KEHOE: You know, it's funny. We talk about the environment associated with power generation. And every time a new plant gets rolled out and meets all the standards; plus, because it's the new technology-- You hear the environmentalists scream. What a lot of them don't realize is when these new plants come online, that will give the opportunity to retire these old fossil fuel plants that are highly pollutant. And, actually, it's an environmentally sound proposal by building new plants, because you're going to, with the new technology and the clean -- even the clean coal plants. They're part of the solution of cleaning up the environment. And if we don't build them in the State of New Jersey, we're

going to get, once again, the prevailing winds that bring in the dirtier air from the new plants that don't have the regulations that we have here.

ASSEMBLYMAN COUTINHO: This is a question for you, Mr. Kehoe -- maybe Assemblyman Chivukula can chime in.

MR. KEHOE: He's the expert.

ASSEMBLYMAN COUTINHO: Without question, within our caucus that's the case. Are we saying that if we had a 10-year guarantee on rates, the market conditions would allow for a multi-billion dollar investment in a new power plant in the State of New Jersey?

MR. KEHOE: You better believe it, even without the expert.

ASSEMBLYMAN COUTINHO: So the simple question is then: So why-- Now, is this 10-year commitment to a rate, though -- is that something that's feasible really for-- Why wouldn't the BPU do that? And do they do that in other states?

Either one of you, please.

MR. KEHOE: Well, our friends from PSEG like to control the whole market. And if-- They would not be building all the new plants. So that's part of the problem that goes on.

ASSEMBLYMAN COUTINHO: Assemblyman, if you could, enlighten us a little bit.

ASSEMBLYMAN CHIVUKULA: Well, anytime you tried to provide -- 10 years, nobody knows what will happen to the fuel prices. So there is always this uncertainty. And then you are -- when you're absorbing that risk, it is going to cost, and somebody is going to pay a price for that. It could be the ratepayers. So that's why we need to look at the equation and balance it. And it is an idea that is-- The Rate Counsel -- I think

Stefanie Brand -- according to you, what you're saying -- that she said maybe we can look at such a plan that's a demonstration project and see -- we can try this one case, instead of opening up the whole can of worms. At least we can try this thing and see what is the impact. And the Board did have the option-- When EDECA passed in 1999, they had the option over the last 10 years -- they could have come up with some -- a different policy. But they have not done that. So we need to -- we can't wait any longer. So we should start looking at it and see what is a balanced way of doing it.

MR. KEHOE: And, Upendra, we can't keep changing the master plan, because you're never going to be able to follow any plan if you keep changing it.

ASSEMBLYMAN CHIVUKULA: Well, I think it's--

If I may, Chairman, I think--

MR. KEHOE: You can adjust it. But to keep making major changes, you're all over the board.

ASSEMBLYMAN CHIVUKULA: Well, I think there are going to be changing conditions. The fuel price is one of the reasons why the Administration -- the Board is looking at revising the energy master plan because the fuel prices -- the assumptions that were made three years ago are no longer true. The fuel price -- the natural gas price, in particular -- has come down. So you need to allow for those variations in the price. But I think your point in that -- saying that, as a State, we have made certain commitments-- One is, we have Assemblywoman Linda Stender -- her legislation for the global warming solutions -- response. And one of the things we look at -- two things -- two legislations. One is a response, one is solutions.

Trying to reduce the greenhouse gases by 20 percent by 2020 -- that means that includes carbon dioxide, nitrous oxide, all those different oxides which are pollutants. That's one thing. The second thing is, we also have -- as part of the Regional Greenhouse Gas Initiative compact -- the 10-state compact -- we have passed a law saying that we do have the cap and trade program for the carbon dioxide, which is generating funds.

I think those things -- those are the types of policies that are good for the State of New Jersey, that we should look at, that have long-term implications. And we should maintain those things, and we should not change that. But I think in terms of modeling the pricing and all the stuff, that's variable.

MR. KEHOE: But cap and trade has a negative effect on the oil refining business in the state too.

ASSEMBLYMAN CHIVUKULA: Well, I mean, we can't have it both ways. I mean, we are worried about the environment. And we also-- That's why I'm saying we need to look at a balanced approach. And, I mean, the energy master plan is a plan. And a plan is subject to change with a lot of the changing conditions. But I think there are certain statutes, some legislation that comes as a result of the energy master plan. There are going to be statutes.

ASSEMBLYMAN COUTINHO: Thank you very much, Mr. Kehoe, for being here.

And, Assemblyman Chivukula, thank you for sharing with us on that.

And I think it's important-- One of the reasons we're here today is trying to find out what we can do, legislatively, to help grow

business in the State of New Jersey. And to be honest, Assemblyman Chivukula brought up earlier the issue of energy generation. And I definitely think this is something we need to keep a close eye on. Because if it's a matter of us doing something that could help generate multi-billion dollar private investment in the State of New Jersey, I think we all have to ask ourselves: Why isn't this happening, and what can we do to make it happen?

So we're going to look for your leadership on that, Assemblyman, as we move forward.

MR. KEHOE: And let's do the gas tax so we can continue the ARC Tunnel.

ASSEMBLYMAN COUTINHO: Thank you very much for being here, Mr. Kehoe.

Next, from the IBEW, Mr. Steve Aldrich, please come forward.

STEPHEN M. ALDRICH: Good afternoon.

ASSEMBLYMAN COUTINHO: And just before you start, sir--

Next on our list will be Dan Disario -- after this -- and then Marcus Rayner. Those will be the next speakers. And then followed by Mike Travostino.

All right, please, the floor is yours.

MR. ALDRICH: Good afternoon. I'm going to have to say that I echo everything that Jim says. But I'd like to add a few things.

My Local is in Trenton, New Jersey. But we have a geographical area that goes into Pennsylvania. And over at the old steel mill site, they had a *KOIZ*, it was called -- Keystone Opportunity Improvement Zone. And in this zone you had 10 years of tax-free incentive

if you built your manufacturing plant or your business inside this facility. And right now they have a solar manufacturing plant, they have a windmill manufacturing plant, and they put a powerhouse -- Dominion Power also built inside this facility. And AE Polysilicon, which makes the solar panels, is getting ready to do another addition inside this facility. And they also have a dental implant manufacturer inside there too, with a 10-year tax-free incentive. And all the buildings the steel mill used to use -- they're going to use the roof top of all those buildings for solar inside the old steel mill. So I think a program like this would benefit the State of New Jersey and put a lot of people to work.

ASSEMBLYMAN COUTINHO: Thank you.

Any questions? (no response)

Well, thank you very much for being here. I think it reinforces some of the discussion we just had before. And I think, obviously, there are opportunities there within the green economy in general -- the issue of power, and alternative energy sources, and how this could be an opportunity to create jobs. I thank you very much for being here today.

MR. ALDRICH: One other thing: If anyone wants to ever take a trip over there and check it out, I will take you over there. It's a huge facility. They have 159 acres, I believe, and they're using every square inch of it, hopefully, in the future.

ASSEMBLYMAN COUTINHO: I'd actually like to take you up on that.

MR. ALDRICH: Talk to Wayne, and we'll give you a ride over there any time.

ASSEMBLYMAN COUTINHO: All right. Thank you.

Marcus Rayner, from the New Jersey Lawsuit Reform Alliance.

Is he here?

ASSEMBLYWOMAN STENDER: He left.

ASSEMBLYMAN COUTINHO: He left.

All right, Mike Travostino, Building Contractors Association of New Jersey.

MICHAEL TRAVOSTINO: Thank you, Chairman, members of the Committee.

Again, for the record, my name is Mike Travostino, Government Affairs Director for the Building Contractors Association of New Jersey.

Our Association commends Assembly leadership, the Chairman, and the legislators on this panel for their continued hard work and creative thinking in calling for this hearing. As you know, the construction industry is experiencing unprecedented unemployment due to the slim volume of available construction projects.

The pendulum swing that saw construction activity sprawl outward in previous years is now reversing. Prior shifts whereby development activity moved out of our cities in favor of our suburban markets is now reversing course, moving back toward employment and transportation centers. This shift will have a direct impact on future development projects and will intensify competitive pressures while rebalancing the market shared for both labor and management.

In our current economic climate, to spur economic development, it makes practical sense to replace or rehabilitate aging infrastructure such as outdated school buildings. Overall construction costs

and materials are well-below prerecession levels. In addition, school construction delivers multiple benefits: safe and energy-efficient schools for students and staff, good jobs for our skilled workforce, new opportunities for New Jersey businesses, and additional tax revenue for our State Treasury.

In closing, our Association will continue to work with all groups throughout the legislative process, ensuring that the laws and regulations are in harmony with the highly skilled construction companies that we represent. And our Association will remain steadfast in promoting construction opportunities for our contractors and our labor partners.

And I respectfully thank you for your time and consideration.

ASSEMBLYMAN COUTINHO: Thank you very much, Mike.

Any questions for Mike at this time? (no response)

Hearing none, thank you very much.

MR. TRAVOSTINO: Thank you, Chairman.

ASSEMBLYMAN COUTINHO: Just for the record here, Dan Disario, from the International Council of Shopping Centers, had to leave, but he did leave some written testimony which we will distribute to all members. And I know that there actually are a few bills hopping around the Legislature trying to help distressed shopping centers.

Mr. Rayner, from New Jersey Lawsuit Reform Alliance is here. He had stepped out. So we're going to call him back.

Good afternoon.

MARCUS RAYNER: Good afternoon.

Thank you, Mr. Chairman. I'm sorry I stepped out for a minute. I thought I had a couple more people going in front of me.

Thank you for having us here today, and thank you in particular to Speaker Oliver for convening this session. I really appreciate the opportunity to talk about these issues.

I represent the New Jersey Lawsuit Reform Alliance, which was founded in 2007 by many, if not most, of the members you've heard from this morning and this afternoon already, out of a concern for New Jersey's worsening civil justice climate. The good news is I don't think there is any one person to blame, and I certainly don't think the Legislature is to blame. If anything, I think it's kind of a benign neglect, a series of decisions over the years by the Supreme Court, and also changes in other states that, prior to this, have had very challenging civil justice climates for business but have seen reforms that have made New Jersey relatively worse by no action taken by government. But that's the bad news.

The good news is that civil justice reform is free -- by which I mean this Legislature, if it chooses to do so, can send a very strong message to the business community that it wants to set up predictable and fair civil justice laws that business can operate under, at no cost to the State Treasury, at a time when I know you all have very challenging revenue forecasts.

You have my written testimony, so very briefly a few other points I wanted to mention: Civil justice reform benefits everyone in the business sector, from the small businessman to the large pharmaceutical and biotechnology industry, to the doctor, to the nurse. Everyone who deals with patients and consumers in our economy is forced to deal -- live under the civil justice laws. And where those laws encourage abuse -- and, in particular, where those laws invite out-of-state plaintiffs to utilize our laws

to sue our employers -- they represent a challenge to the business community in New Jersey.

We did a study two years ago and found that of the plaintiffs suing our life sciences industry from out-of-state -- or suing our life sciences industry, period, in our court system, 94 percent of the plaintiffs were from out-of-state and were choosing New Jersey law because they perceived it to be more favorable to a positive outcome for their plaintiffs. That's something we can address without doing any harm to New Jersey consumers who have a claim in the court system.

I'd like to emphasize that civil justice reform need not be zero-summed; that is to say, we can help the business community reduce abuse of the system while doing no harm to consumers and patients in New Jersey who have legitimate disputes and legitimate cases before the court. A few examples of that -- and I'd like to commend Assemblyman Schaer's leadership on this issue. There's an appeal bond cap bill pending before this Legislature and before the Assembly that would ease the cost burden on businesses who appeal a bad outcome at the trial level on meritorious claims through the appellate process. It does nothing to change the fundamental legal rights of plaintiffs at all. All it does is reduce the cost to a business for appealing that case through the Supreme Court on the hope that there was an error in the law at the trial court level. That's an important bill, and I commend Assemblyman Schaer's leadership on that.

Very recently, Assemblyman McKeon introduced a consumer fraud reform bill that would make some relatively minor changes to New Jersey's Consumer Fraud Act that has been inviting abuse from around the country. Specifically, it specifies that a consumer has to have purchased a

good or service in the State of New Jersey, which would keep people from out of state using our court system against our employers. And it requires that they have actually relied on a fraudulent statement or action by a business, to bring a consumer fraud suit. Our courts, not the Legislature, have stripped what they call *reliance* from the Consumer Fraud Act, which means you can bring a consumer fraud suit without ever having relied on a fraudulent statement or action by a business.

Civil justice reform, done correctly, can send a very strong signal to the business community that we welcome their presence in New Jersey, that we want to give them predictable and fair laws to live under. And if they behave -- in other words, act under the law and through regulations in ways that don't harm consumers or plaintiffs, they have nothing to fear from our laws. So I would encourage you to please look at those issues. I look forward to working with each of you.

Thank you for the opportunity to be here.

ASSEMBLYMAN COUTINHO: Any questions?

Assemblyman Schaer.

ASSEMBLYMAN SCHAER: Thank you, Chairman.

Just to commend Mr. Rayner and his organization for some of the initiatives that they're taking. I think that he phrased it expertly well. There are things that we can do that won't cost State government any money. I don't believe in any way we're going to infringe on anyone's rights. And at the same time, we'll greatly enhance the business community and business development in this state.

ASSEMBLYMAN COUTINHO: The only question-- I assume you probably have been working with Assemblyman Schaer. Do you have a

list, let's say, of these recommendations that can help our cost structure in the state, that don't cost us any money, that we can consider to create legislation? That's sort of what we're trying to do here.

ASSEMBLYMAN SCHAER: If I may, Chair.

ASSEMBLYMAN COUTINHO: Absolutely, Assemblyman.

ASSEMBLYMAN SCHAER: The bill that Mr. Rayner alluded to -- the appeal bond cap bill -- is currently now in the Senate. There is an amendment that was put on it as a result of consultations with the legal community. And I'm pleased that they're on board with the bill. And I believe it will be coming to the full Assembly for consideration shortly.

ASSEMBLYMAN COUTINHO: Okay. And these ideas you're talking about are encompassed in that bill? I'm just saying, if there are more outside of that bill, I'd like to see them to see if we can advance them as well.

ASSEMBLYMAN SCHAER: I'm sure Mr. Rayner-- Knowing Marcus, I'm sure that he has a load of bills that he'd love to share at your convenience, Mr. Chairman. But in terms of the appeal bond cap bill, that is currently moving ahead -- not as quickly as we would like, but we're confident, with your assistance and that of this Committee, we can have it done before the end of the year.

ASSEMBLYMAN COUTINHO: Thank you.

MR. RAYNER: Mr. Chairman, I'm happy to send other ideas your way. Assemblyman Schaer mentions a very important but very specific bill that would help the business community. We have many other ideas as well, which would love to share with you.

ASSEMBLYMAN COUTINHO: Thank you very much.

All right, next on our agenda is the New Jersey Restaurant Association, Jon Aneson.

Good afternoon.

J O N A N E S O N: Thank you, Mr. Chairman and members of the panel.

I'm Jon Aneson, with Tiki Taco Cantinas. I'm a Board Director and member of the Legislative Affairs Committee of the New Jersey Restaurant Association. I'm speaking on behalf of the Association and our President, Deborah Dowdell.

I'd, first, like to echo the sentiments that were articulated by Caren Franzini and Melanie Willoughby on how big business can partner with big government and work in concert with each other.

I would like to focus my remarks on the small business community. Decreasing business expense will increase the taxable revenue, a win-win for business and the State, as the income tax is only a percentage of the newly increased net figure. As one of the largest property tax payers in the state, our anxiety is increasing as the handling of the tool kit-- We heartedly appreciate the work of the Red Tape Review Group with respect to addressing some of the burdensome regulation that made -- had been applicable in the 20th century.

But with the small business community -- the remarks that we hear in the restaurants -- and we speak to more business owners than any group in the state -- is that they're looking for 21st century solutions to the problems that we're in. There is confusion about the fact that, on the one hand -- calling for job creation, while at the same time calling for job-creator taxes.

The access to capital is not to survive for a small businessperson, it's to succeed. And there seems to be a disconnect between the way small businesspeople feel about the people they hire to serve us. And there's a disproportionality between the benefits in the private and public sector that does not matter -- that is not confluent with the wages that have grown closer together. And for many in the business community, they don't perceive the economy here in New Jersey the way it's portrayed in the media. It's not that there is a recession or a slow recovery -- they don't see the recovery at all.

When they ask about access to credit-- Borrow the money for what? The bridge loans they took out two years ago and a year ago. But that is not the discourse that we hear today.

Hire more people. For what? Business is not expanding in this state. It's about market share. It's been two years that the small business owners have tightened their budgets. Now they're not just managing their business, they're working their business. That's already been done.

So I think it's a matter of the perception of what they're really feeling. They passed anger last year. The prevailing emotion of the small business community -- they're frightened. They're not worried about two years from now. They're not worried about the template that big government is partnering with big business as an arena to do business. And that is most necessary for sure. But that's not where their mindset is.

Let me exemplify healthcare costs. We need the State to put the brakes on the rising costs of health care. The small businessman is getting premium increases now, today, 22 percent and up. We need to

reduce the cost of access to care. This is the most urgent need for the small business community.

The taxes: We all can understand that while the State is working on the cuff, they need to preserve their tax revenue. But the small business community looks at it -- "Unleash our power." You reduce the taxes--

ASSEMBLYMAN COUTINHO: I'm sorry. Mr. Aneson, how do we unleash your power? See if you can give us some recommendations.

MR. ANESON: Reducing the taxes.

ASSEMBLYMAN COUTINHO: Hold on a second. There were no recommendations today other than have a responsible answer to the Transportation Trust Fund. Nobody here mentioned raising any tax, whether it be payroll taxes or corporate taxes. I don't know if you were listening to the same hearing. The only issue that ever came up with the possibility would be a dedicated gas tax to responsibly fund the Transportation Trust Fund. So nobody here mentioned anything about raising taxes to create jobs.

MR. ANESON: I didn't say that.

ASSEMBLYMAN COUTINHO: But give us some-- What are the Association's recommendations on how we can get the economy moving forward? If you could focus on that, we'd appreciate it.

MR. ANESON: Reducing the tax structure to the floor of the surrounding states. You can argue about whether it should be a little bit more here, a little bit more there. But there is a fundamental disconnect between how to engineer that job creation-- The small business community-- And, again, this is a general comment that we hear from the

small business community. None of us can speak for everyone. But the general comment is that, "We don't want government creating the jobs. We want to create the jobs." By establishing a tax structure across the board at more of a floor level, like the surrounding states, so that we are in a position to have that capital ourselves, not at the direction of those who don't know our businesses as well-- And, frankly, the gravitas that the government has with the small business community is in a very measured way. The more reasonable amongst us knows -- and I know many of you -- how sincere you are, how much you really do care. I'm not addressing the more Neanderthal-minded. But the fact is that while this State's finances have been mismanaged by any measure -- the small businessmen and women in this state are not looking for that for guidance. And it's not any one person's fault here. And that is not part of a dialogue that will be constructive.

But again, what I'm trying to highlight is the fact that, right now, we have pressing healthcare costs that we've been ambushed about; we don't have the resources to do that. We need the government to give us the opportunity to take those dollars, as we see fit -- as a small band of guerrilla fighters who know our businesses better than you possibly can -- and give us that opportunity while you're working in concert with the larger interests.

ASSEMBLYMAN COUTINHO: Okay. Thank you.

I'm sorry, are you -- was that your-- Are you done? I apologize.

MR. ANESON: I was just responding to your question.

ASSEMBLYMAN COUTINHO: Okay. Any questions for Mr. Aneson?

Assemblyman Rudder.

ASSEMBLYMAN RUDDER: Thank you, Mr. Chair.

In your industry, you see-- You mentioned, for example, you talk to more business owners than anybody else. In your industry, particularly, you see the ebb and flow of a prosperous economy and an economy going in a recession. You mention a whole bunch of different issues with regard to taxes and so forth. Do you feel-- Is there a feeling that we're slowly building-- I mean, I keep hearing we're no longer in a recession. Are you starting to feel -- are you starting to see more people come out? Are you starting to see more things happening in your industry that would indicate that things are picking up, or are you seeing sort of a stagnation?

MR. ANESON: This is about defense. This optimism is being portrayed by those who aren't in small business as a practical matter. This is about being frightened. This is beyond dispassionate, logical business outlooks. This is about -- there's a separation. And the key about them being frightened is they don't have the security that those who do have security -- which they perceive in the public sector to have. And we need to heal that polarity. This polarity needs to be healed before you're going to have a commonsense dialogue about it. It's about security. For the first time, most of the private sector and small business in this state feel insecure. They're worried about keeping their jobs. Forget about the chance for a raise. And the reason small businesspeople go into business is primarily independence, not accumulating wealth. And it's not like, "Daddy, can I have a quarter?"

Now, I'm just reflecting to you the kind of dialogue that we hear.

ASSEMBLYMAN COUTINHO: I'm sorry, Mr. Aneson.

Assemblyman Malone, please.

ASSEMBLYMAN MALONE: To follow up on what the Chairman said, I think he's really asking-- Is it more about what you're hearing from patrons who come into the restaurant, as opposed to specifically what the State can or cannot do to your industry or for your industry? I mean, are you just reflecting what you're hearing your patrons talk about, or is it something that you talk about amongst your fellow restaurateurs?

MR. ANESON: Let me delineate that clearly.

ASSEMBLYMAN MALONE: I mean, I think that's what you're asking, isn't it?

MR. ANESON: We canvas-- I have been actively canvassing -- my colleagues, I know how they feel, I know them -- to ask our clientele, or customers. We sample public opinion best. We see people when they've just digested their food. We have a familiarity with their families. We get a far truer picture of how they're feeling. I would just like to illuminate this august body on a more emotional level, which is really happening out there, as you configure and address this.

I paid attention to what everybody said here. I think there were very illuminating remarks on how we can work together as a team. I see a division and a team, and this is primarily sparked by the fact that the big division in this state -- the two New Jerseys -- are by those who have security and those who don't.

ASSEMBLYMAN COUTINHO: Mr. Aneson, let me-- I want to thank you for being here. I tell you, this actually gives me an

opportunity to briefly highlight one of my concerns and why I've been focusing so much on job creation.

I come from a small business background. I am a small businessman myself. And I will tell you, you hit it right on the head: businesses aren't expanding. People are insecure. And part of the problem by us not focusing on job creation and allowing the unemployment rate to linger high-- People who are unemployed or afraid of being laid off aren't going to restaurants. They're not going to the local small businesses. Okay? And small business basically counts on that local demand to survive and basically try to grow. So because consumer spending is soft, that is why there's such a fear in small business. I know, because that's what I see every single day.

And what we're trying to do here today-- Again, nobody was talking about creating government jobs. We're trying to hear from businesses. And I hear you -- by saying let's try to lower the tax burden for all businesses. And that's the general theme.

I think we need to do more to give incentives for private industry to create jobs. Because while we're lowering government payrolls to take pressure off of taxes, we need to do more. The problem I see is that while we're reducing government expenses, which we need to do at all levels, we're not doing enough to create private sector jobs so that people go into your restaurants. So that's what we're trying to do, is to -- while we obviously don't increase the burden on New Jersey businesses, what can we do to create incentives so that the private sector creates more jobs than the public sector jobs we're shredding? We understand we have to reduce public sector jobs. But if you only reduce the public sector jobs, and you

don't grow the private sector, you're actually going to push your economy backwards instead of forward. So that's a little bit of why we're here today.

And I thank you for being here, because you're confirming that small businesses see the economy is not moving forward. We still have many problems, and we need to focus.

And you said a statement earlier -- again, something I had mentioned earlier -- people aren't worried about necessarily some of the changes that are going to help them two years from now. They want a job so that they can be working and so the economy can move forward today. And that's why, really, we're here today -- to see what we can do.

We appreciate the perspective that we-- Obviously, raising taxes isn't the answer. And I don't think anybody has said that.

MR. ANESON: I didn't say that either.

ASSEMBLYMAN COUTINHO: I haven't heard anybody advocating-- Through the entire budget season we went through, nobody was saying to raise taxes.

Again, I thank you for being here.

Any other--

MR. ANESON: Can I just--

ASSEMBLYMAN COUTINHO: I'm sorry. You'd like to respond?

MR. ANESON: I just wanted to follow up. There's a perception that the dollars that will be raised will go right back into the imbalance towards giving security to the others -- that it would just be more -- make more sales so they can just pay more taxes. And you're not realizing -- it's kind of like the squirrel in the cage. And I'm not saying that

that is the reality. It's positively the perception at this point, which is heightened by being frightened and being insecure.

ASSEMBLYMAN COUTINHO: Mr. Aneson, I think what I would like to see happen-- If New Jersey could be more competitive, bring more businesses in, create more economic wealth, that obviously will help the small businesses.

I believe we have Assemblywoman Jasey and Assemblyman Webber.

ASSEMBLYWOMAN JASEY: Just a quick comment.

Thank you for coming. And I think you hit on something that we haven't talked about here today, but maybe it's one of the elephants in the room, and that is healthcare costs. Because healthcare costs, I know, are a huge burden on small businesses, and they're also a huge burden on school districts. And if we can't find some way to contain those costs, I'm hearing double-digit, 20 percent increases for example, from school superintendents who I talk to. They can't pay those costs and continue to-- And they certainly can't come in under the cap that we've imposed. And I would imagine that's the very same situation for small businesses.

So to my colleagues, we've got to figure out some way to contain healthcare costs for all of our citizens.

MR. ANESON: If I could follow up on that, please. Our Chairman was on Hannity's show about health care, *Coast to Coast*. As a matter of fact, we had at our board meeting a presentation of a healthcare plan that Delaware is beginning to adopt. And after this meeting, I will be more than happy to give you the name of this person who can discuss it with you. But there are alternatives to what's going on today.

ASSEMBLYMAN COUTINHO: Thank you.

Assemblyman Webber.

ASSEMBLYMAN WEBBER: Thank you, Chairman.

Just for clarity-- And I want to thank the witness for his testimony and his passion on these issues. I don't think anybody-- Aside from the gas tax which, certainly, as you know we have a disagreement over -- it's something that, I think, would be a drag on the economy.

I think when the witness said, "Hey, we don't need tax increases," he's talking about some of the tax increases that have occurred recently. He's talking about payroll tax increases in the form of Paid Family Leave. Health care is a significant issue for small business. We had healthcare taxes in the last couple of years, surcharges on our healthcare premiums. The previous witness talked about the 2.5 percent tax for COAH. And we did have a major tax fight this year. Some on this dais wanted to raise income taxes a substantial amount in this State, and others didn't. And, fortunately--

ASSEMBLYMAN COUTINHO: Actually, we wanted to maintain the rate for people, not business owners. We wanted to--

ASSEMBLYMAN WEBBER: I know the Chairman takes -- has a lot of prerogatives, but if I could finish my sentence I would appreciate it.

ASSEMBLYMAN COUTINHO: Go ahead. I apologize; just clarifying.

ASSEMBLYMAN WEBBER: Well, when a tax expires, and then you want to reinstate it, that's a tax increase.

But in any event, those were the kinds of taxes that I think frustrate and threaten small business and development in the state. And

even these -- some of the projects that we're talking about -- the spending items that we're talking about today, when we want to subsidize-- Whether it's a home-buyer tax credit, or it's a technology tax credit, or other tax incentives or so-called *investments*, you can't get that money unless you tax it from somebody. And every time you talk about spending \$1 here in the state, you're talking about taxing and taking it from another person here in the state. And so when someone comes to you and says, "Just leave us alone. The private sector will be fine if you just leave us alone and unleash our ability to create jobs," I think you have to give it a lot of consideration and appreciate where that witness is coming from.

So to paraphrase, I think that's where -- many in the Restaurant Association and others in the private sector are saying, "We don't need any subsidies, we don't need-- Just get off our backs." And if we did that, if we resolved-- If anything comes out of this hearing today -- if we resolve to get off of businesses' backs and let them go out and do their work, I think we will have had a successful day.

Thank you.

ASSEMBLYMAN COUTINHO: Thank you very much, Mr. Aneson, for being here.

MR. ANESON: Thank you so much for your cordiality and your remarks. Thank you.

ASSEMBLYMAN COUTINHO: Okay. Coming up next is Mr. Joe McNamara.

J O S E P H A. M c N A M A R A: Good afternoon.

Thank you, Mr. Chairman.

My name is Joseph McNamara. For those who don't know me, I'm the Director of the Laborers-Employers Cooperation and Education Trust, which we call New Jersey LECET because it's much easier than saying all of that. We're a labor management organization. We represent laborers and union contractors. Our function, primarily, is to create business opportunities for the industry for both labor and management. You can imagine, during these times that's a very challenging task, especially today.

First, I'd like to thank the Chairman and the Committee for the actions that you've taken in a bipartisan way, over the last year or so, in creating different tax incentives to help stimulate the economy and create a better business environment in New Jersey; both, again, from a stimulus standpoint and a regulatory standpoint. It's very, very important. And I think it's been received well by New Jersey, and others in business throughout the country, that New Jersey now is looking to see what we can do to stimulate our economy and bring business here.

And while we still face these enormous challenges as an industry-- And also, I am part of -- my organization has been part of the Smart Growth Economic Development Coalition. And we've been here before supporting some of those incentives and some of the things that you've put in place. And I'm also on the Board of the Economic Development Authority. And so I can tell you first hand that some of the incentives, including the Urban Transit Tax Credit, ERG, obviously BEIP -- they complement BEIP and BRRAG, which have been in existence -- BEIP has been there since 1996. And so now we do have a cadre and a supply of inventory of tools which we can use, and are using, to stimulate businesses

both in New Jersey and to bring them in. And I've heard from people -- I know from colleagues in New York -- that some of the economic development people in the City of New York and other places now are standing up and realizing that they do have a competition from New Jersey, and a challenge. So we expect them to do that.

I do want to quickly mention that COAH is an example of something that we watch from afar. We're not directly involved in that. But as part of the Coalition, I think we have to look at the impact that fees on new development will have on those projects. I know we have to find a way to fund affordable housing, but we have to see what the timing of any development fees, what they might be. Because often, as with the ERG and Urban Transit Tax Credits-- Those measures are often the breaking point between whether a project will be financed and be a go, or not be able to -- 2 or 3 percent, whatever that might be. I'm not saying we shouldn't. I'm just saying we really need to look at, because there's a broader economic development picture here.

I know other members of the Coalition who probably were here or will be-- In fact, I should mention -- show you how we work together. Tim Touhey is trying to get here. He is in New York. But I have his written testimony in case Tim doesn't make it, which I will submit for him.

And, again, while Tim and others may be here to talk specifically about single sales factors and other incentives or other bills, and other proposals that they have more of an interest in and more knowledge of, I do want to mention, from our standpoint -- the construction industry -- a big part of economic development -- not only short-term jobs for us, but

long-term to grow the economy, to build the foundation -- is investment in our infrastructure.

We have the most extensive intermodal infrastructure in the region. Our roads, bridges, highways, transit, airports, ports, all work together. They work together to allow us to move goods and people efficiently through the region. That's our competitive advantage. We are in the center of the world's largest market. If we don't make these investments -- and, again, they all work together, each one ties in with the other -- then we weaken our ability. So all the positive advantages we get economically from some of the actions we've taken -- we may lose that if we, long-term, don't make those investments in our infrastructure.

I think we have to consider how we look at infrastructure. Often, we look at it as a cost, but it's an investment. It's one of the only things that -- one of the things government can do where you get a return on the money you put in, just like in the stock market. You invest in a transportation project; in some cases you might get 8 to 10 times the return, in terms of taxes, economic growth, new revenues. I don't think-- We're in difficult economic times. I don't think we can just grow ourselves -- cut our way out of this economy. We need to grow it. And investment in infrastructure is certainly a way to do that. And I think we need to look at it as an investment rather than simply a cost.

So, I mean, those are my comments both from my perspective with the Coalition and with the industry.

ASSEMBLYMAN COUTINHO: Thank you, Joe.

Assemblywoman Stender.

ASSEMBLYWOMAN STENDER: Thank you, Mr. Chairman.

Good afternoon, Joe, and thank you for being here.

I think that the points you're making about the transportation infrastructure certainly speak to the issues I've been raising today. And with all due respect to our colleague Assemblyman Jay Webber and his distaste for investing in creating jobs, the fact of the matter is, nobody builds a road alone, nobody builds a tunnel or bridge alone. And that's why we need to make an investment.

Can you speak to the Tunnel and what that impact is going to -- the loss of that and of the loss of the \$3 billion that was coming in from the Federal government?

MR. McNAMARA: Well, first, I do understand the economic climate today. There's no question about that. And we've had to look-- And I know we were looking at a lot of projects throughout the State. We were hopeful that we could find a way to do two things: One, to finance the Tunnel; whether you have the Federal government, the State Legislature, everyone sit down and try to figure out a way. We still hope-- We still have some hope that that could be done. Our view is, in itself, it's an important transportation project. We cannot get additional capacity into Penn Station without the Tunnel. And it doesn't just affect commuters from northern New Jersey. For example, there's talk in where I live, in Monmouth County, about the MOM line and others, and whether or not that will be built. You can't-- Without additional capacity into New York, the extension of our transit system really cannot take place. So understanding the particulars right now-- But can we work together, somehow, to find a way to do that, and to finance the Trust Fund so we can make it an adequate capital program for DOT and TRANSIT so that we

can compete in the future? I mean, we're going to lose our ability to compete. It's very, very important that we make these investments.

Now, if we have to look at it over a longer period of time because of economic conditions, maybe we have to do that. But it should be, we think, a priority. Again, in the short-term there's jobs and there's tax revenue, but long-term it's critical for our economy to do all these things. They all have to be tied together in a very strategic plan, because we're in a global market, and it's all part of it.

ASSEMBLYWOMAN STENDER: As a follow-up on that, would you -- on this issue of the funding and how we're going to pay for our investments and our transportation infrastructure, and the fact that this Administration is clearly opposed to doing that in terms of speaking about a dedicated revenue stream when our Trust Fund is, essentially, dead -- do you have any suggestions in terms of how we should be looking to do that if we're not going to get a gas tax?

MR. McNAMARA: Well, for a long time we thought the gas tax-- Most of the revenues coming into the Trust Fund -- about half -- are from the gas tax. That has not been dealt with over the last 10, 20 years, actually. So I think our role -- our position right now is, we have to finance it.

If you want to make the Trust Fund solvent in the long-term, a permanent long-term solution, you need \$1.6 billion in new revenues a year. For a billion dollars, you can get a substantial program -- not quite where we are at \$1.6 billion now. In fact, the study that was done 10 years ago in the Blue Ribbon Commission, when Governor McGreevey was around, was saying that our needs then were \$3 billion a year. And we were

spending \$1.2 billion to \$1.6 billion. Somehow we have to find a way to do that.

Are there revenues from DMV; are there other ways to do that, public-private partnerships? Certainly at this point, since there is no consensus on the gas tax, and there hasn't been-- We've not done it, either party, in the last 10 years. We need to say: How do we-- Is this a priority? And we do need to make these investments. What do we do? Do we take money from the general fund? Do we look at other user fees? We'd be glad to work with everyone to come up with a way. Certainly the easiest way is an increase in the gas tax. But, again, I haven't seen any political will to do that.

ASSEMBLYWOMAN STENDER: Thank you.

ASSEMBLYMAN COUTINHO: Thank you.

Any other questions for Mr. McNamara? (no response)

All right, thank you very much.

All right, next, our friends from the New Jersey State Chamber of Commerce, Mike and Mary Ellen, please come forward.

Just Mike?

MICHAEL E G E N T O N: Yes, Mary Ellen is shy. (laughter)

Thank you, Chairman.

I'm going to be quick because I know it's late in the day and I'm batting clean-up.

As you know, the State Chamber of Commerce, in our Board of Directors, several years ago -- we created initiatives that our Board is very much engaged in. We do everything from economic development,

environment, and energy; transportation is important to our organization, health care, education workforce, and government reform.

So sort of to encapsulate all the different testimonies you heard here today, I'm just going to go through-- The way I broke it down was our -- what we've done, successes; what we need to do. And then, obviously, I'll probably throw some caution to the wind to things that we should probably avoid to keep the business climate in tact.

First, what have we done?

First, Chairman, I want to congratulate you, the Economic Development Committee, and the Governor in a bipartisan effort -- what you did with Bayonne Bridge. That's important to our organization, to the Port viability. You know, Chairman, the ships that will be coming through, through the Panama Canal, is critically important. So you bringing attention to it, as well as the Governor, and getting something done there should be commended.

A little work on the DEP side of the house-- I know Chairman Greenwald, over the years -- we used to have a business task force come before it and talk about a lot of the problems with DEP. Well, let me tell you that I will be the first to say that I've seen a lot of changes at DEP going on. We worked with this Legislature on the licensed site remediation professional bill, LSRP, in cleaning up the 20,000 contaminated properties. I'm part of the steering committee. We will probably be reporting to the Legislature toward the end of this year as to the progress. And we may even come back for some additional tweaks to that program. But that's a model program that actually worked in helping expedite the clean up of some of the properties here and turned them into productive use.

Also at DEP, Commissioner Martin should be commended for the work that he's doing in implementing some ideas that the business community had suggested to help expedite permitting and reviewing various regulations, such as the creation of the Science Advisory Board and the recent creation of the Office of Dispute Resolution. So there are some good things going on there.

We also want to commend the work, through the Legislature and the Lieutenant Governor, on the Red Tape Review, and commend (*sic*) that that's made permanent. We'd like to see the continuation of that.

There was some discussion of the tool kit. And interestingly, our organization is very much involved in government reform. And I know I've been before several of you talking about things like dual office holding and things of that nature. Obviously there was some discussion here about changing the mindset and the direction that we go with the State of New Jersey in trying to attract businesses here. And the same thing-- If you keep kicking yourself and saying, "These are all the bad things," it's going to be hard. So our Board decided to get involved with government reform. And key and critical to that -- and I know there have been some hearings both in the Assembly and the Senate on the tool kit proposals -- but we really want to see some action in the area of arbitration and civil service reform. That's the gauntlet. But let's face it: We in the business community pay one-third of the property tax. We have to tackle that issue. I know it's going to be contentious. I know it's going to be the four *Ds*: debate, dialogue, discussion, and, hopefully, a determination on what we do. But certainly it's a key component in fixing what's going on here in the State and bringing some fiscal sanity back, particularly to our local officials.

The Legislature also tackled the unemployment insurance issue. I know that was a difficult issue as well. You all helped us prevent a billion dollar tax increase to the business community, and we appreciate that. However, the work is still left to be done, as Chairman Cryan knows. We need to look at further reforms. We have to go back to the plate again, because we didn't go all the way down to Column E. But we still have to come back and tackle that issue. So that's work yet to be revisited.

What Caren Franzini laid out with the Chairman on BRRAG and BEIP -- we're in agreement with that, and we'd like to see work being done to help those incentive programs continue. The same thing in the area of education workforce development. We have an education foundation within the State Chamber, so we offer that help to the Legislature, as well, as we look at that area.

Finally, the word of caution that I would ask of this body, and the full Legislature -- that we are the job creators. We work collectively. We try to keep an eye on competitiveness, and we always must remain vigilant. It is easy -- and some previous speakers talked about it in the past. The business community was an easy target to help balance the budget when times were tough. We've gone through some tough times. And obviously I would caution, because of the economic climate and trying to jumpstart the economy-- Number one, and key and critical, we have to prevent raising any taxes on the business community to either help balance the budget or fund various programs.

Number two: We need to make sure that there isn't any imposition of any higher fees on businesses. And typically this happens in

the regulatory arena. And if we see that, certainly we'll alert the Legislature to that.

And finally, a little talk about health insurance. We constantly hear it from our members, particularly our small business members. And I know the Legislature has been vigilant about preventing further mandates that would drive up the cost of health insurance. And we still don't know -- there's a lot of uncertainty with regard to the Federal program -- what that's going to mean to businesses. So the high cost continues. There's concern about providing coverage. So we would ask the Legislature to get engaged in the arena of health care.

Those are my comments, Chairman.

ASSEMBLYMAN COUTINHO: Thank you.

Any questions?

Assemblywoman Stender.

ASSEMBLYWOMAN STENDER: Thank you.

Good afternoon.

You had mentioned civil service reform, and that's something you've been watching. What do you think are the top two or three things that you think need -- that you would like to see reformed because of the financial impact?

MR. EGENTON: Well, I think overarching with regard to civil service, Assemblywoman, is the system in and of itself. If there's a way to sort of have all the right stakeholders at the table to talk about what is actually wrong with the system-- The complaints that we've heard over the years, typical in an agency -- and this is in the public and private sector. There are good, hard workers, and there are workers who are strictly clock-

watchers, 9:00 to 5:00. "I'm here before you, I'll be here after you," mentality. And we have them in all the different agencies. And over the years working for the State Chamber, I could probably mention them by name, but obviously I won't.

But the problem with the system is that if there is a problem individual within civil service, it is so hard to dismiss that individual, unlike in the private sector. So what do they do? They usually transfer them over to a different division, or they promote them, or they do something to get them out of that area to avoid the problems. So I think there needs to be a real systemic look at the whole system to see what's going on and how it operates. That's probably core to the problem.

And then, of course, in arbitration we hear it constantly. A lot of our businesses on our side of the equation have done the tough decisions with this economy. And some of them are not pretty. Usually the way a business tries to meet the bottom line is, they'll scale back on their 401(k) or require more that you have to pay in health insurance. Certainly I had to do it at the State Chamber. And there have been many businesses that told us they had to implement furloughs. Their last resort if they can't maintain and be in the black, obviously, is to lay off people. So that whole way of operating needs to sort of transcend into the public sector.

We all have tough times right now and very difficult ways of meeting the bottom line. And that pain, quite honestly, needs to be shared. And I know this body, again, has done some work in pension and benefit reform. But there is a lot more to be done there. Because, quite honestly, you all know. You've heard all the different people who have testified here today. There isn't the money there to pay for half of this stuff. And I wish

I had the magic elixir to hand over to you to say, “Here’s how we’re going to pay for the TTF, here’s how we’re going to pay for unemployment insurance, and so on, here’s how we’re going to pay for charity care.”

What I hope though, in the way this body operates, is to bring all the right stakeholders together to sit down at the table and to work out some of these problems that drive New Jersey.

ASSEMBLYWOMAN STENDER: Since you raised the issue of TTF, I’m curious -- since it’s mostly what I’ve been asking people about -- what, from your end, do you see as the solution to the fact that our TTF is broke and that we need to have a revenue stream going forward so we can continue to have a functioning infrastructure, so we can move goods, and services, and people around the state?

MR. EGENTON: Right. We’ve been very instrumental over the years in recognizing the importance of having a good transportation infrastructure, intermodal, across the board -- the railways, the roads, the bridges, and such. And it’s important to a lot of our members in moving their goods and services; and, quite honestly, moving their employees around the state -- whether it’s the expansion of the Turnpike and the Parkway, or the ARC project, or what have you.

Again, there’s no magic answer, and I think this is a moment in time -- and it’s a critical issue -- that we need to have everybody on both sides of the aisle sit down and come up with some ideas. I know Joe McNamara has been at this a lot longer than I have. And there are some interesting ideas out there that may help the Transportation Trust Fund. I don’t know if any one is the magic answer. But, again, whatever inevitably happens with the TTF, one of the things we’ve called for, Assemblywoman,

is making sure it's constitutionally dedicated, that it's shovel-in-the-ground as opposed to it sort of disappearing somewhere else. I know Chairman Egan and I have talked over the years about the rating of the UI fund. It paid for charity care; but again, you can't rob Peter to pay Paul. So we want to make sure there are some protections in there, or dare I say a lock box to make sure that the money is not raided.

ASSEMBLYWOMAN STENDER: Well, I think that we hear -- and I think we all agree that we have to all come to the table and figure out the solution. But I think what we also need is for people to really be ready to say what those solutions are and what they are prepared to support as a mechanism for funding that investment. Because it will put people to work in a way that we need to have happen. But it's also so that businesses can continue to move their people, goods, and services around.

And I am disappointed that I don't hear from anybody where the support would be of how to do that. Everybody agrees it needs to be fixed. But I don't think we move forward until we're ready to really show the cards of how you're willing to support that happening. Because we are out of options, and we know that.

MR. EGENTON: Right.

ASSEMBLYWOMAN STENDER: Thank you.

ASSEMBLYMAN COUTINHO: Assemblyman Schaer.

ASSEMBLYMAN SCHAER: Just as a point, Mike, I would disagree with you a little bit in terms of the government's historic ability to rob from Peter to pay Paul. I think we've been doing an absolutely admirable job of it so far. (laughter) We've become quite expert at it.

If I could follow up on one of Assemblywoman Stender's points and ask something more general at that point-- I mean, we all seem to agree that charity care is necessary. We all seem to agree that the TTF is necessary. The question, of course: Does the Chamber have any thinking in terms of how these things can be paid for? It's wonderful that we're constitutionally dedicating funds. The problem is that we're not constitutionally dedicating funds to paperclips and salaries. Those are things that we don't constitutionally dedicate. How does one do this? Do you all have any thoughts on it?

MR. EGENTON: Well, again, not having the exact answer, Assemblyman, in situations like that-- Again, the way I've seen the process work well here over the years is when, instead of being in crisis mode and having to react when something is upon us, we should be doing it now. So with that, certainly we could turn to people within our membership who I'm sure would be willing to dedicate their time and expertise to sit in the stakeholder process. I know you operate that way when you have your committees -- bring everybody together before forwarding legislation to make sure that the *ts* are crossed and the *is* are dotted. I would think that's the best way to go about this.

Again, back to the Transportation Trust Fund: I'd be concerned, because we all know that the harbinger that's lurking around the corner is the next State budget, and probably the numbers are not going to be pretty. So there are other challenges that we have right here and now that should be addressed, and should have a bipartisan body like this get together to work out some of these issues like charity care, like the Transportation Trust Fund.

ASSEMBLYMAN SCHAER: And I can't tell you how much I would agree 100 percent with you. Except the bottom line is similar. Something, somewhere, somehow it's got to be paid for. Whether it be an increase in tolls, whether it be a gas tax -- both of which I'm not thrilled about or interested in, frankly. How one pays for it I don't know. But the bottom line is, we can't continue -- as we've learned, unfortunately -- we can't continue simply to borrow, and borrow, and borrow. I mean, right now we're borrowing an additional \$1.2 billion for the TTF? We're not going to the voters for it, we're simply doing it. We told the voters that we wouldn't do it, and now we're doing what we do so well. We're doing it anyway. And the bottom line is: How is that money being paid for? We're talking general fund money, that there isn't that much of in the first place anymore because so much of it has been constitutionally dedicated.

Let me ask you more generally, if I may, Mike. When we had the great pleasure of having Melanie Willoughby from BIA here, and Pat Ryan from Hopewell Valley Community -- we spoke about the need to infuse more dollars into the economy, especially in terms of small business loan availability. Does the Chamber have a position on that and any thoughts in terms of how that can be accomplished?

MR. EGENTON: Again, Assemblyman, I don't have the magic answer. But we do hear that concern out there. We need to probably convene almost, again, a special group like this body to discuss the liquidity market and lending within the financial institutions.

I know there are banks out there that are willing to take that so-called *necessary step* to fund businesses. But I think there is a little hesitancy -- and dare I even say almost reluctance -- because of what's

happened on the Federal level. And we know the history of what happened there. The pendulum was on one side and actually swung to the other. I think there's still a little uncertainty out there with some of the financial institutions. And I think we need to get back into that mode that businesses drive the economy. And without the ability to have money lent to them -- particularly small businesses that are challenged by what's going on -- we're going to kind of putter along, as opposed to getting back to where we need to be.

So we probably should bring in all the right stakeholders again to address that issue. And I think it's some of the effects of what's going on at the Federal level.

ASSEMBLYMAN SCHAER: In terms of getting those stakeholders together, in terms of having that discussion, is that something which government should necessarily be initiating?

MR. EGENTON: I think so. It's been done through here before.

ASSEMBLYMAN SCHAER: Mike, I'm trying to discern, if you will -- if you will forgive me. For much of my adult life, I've been a firm believer that government is too involved in too many things. Certainly all my friends in business tell me that all the time. Why is it that, once again, we're depending on government to take a lead role when, in fact, we all seem to agree that government's best role, in many cases, is getting out of the way--

MR. EGENTON: Getting out of the way of business.

ASSEMBLYMAN SCHAER: --so businesses can do what they do best?

MR. EGENTON: I actually, again, Assemblyman -- I share both philosophies. I believe a business knows how to operate, knows their day-to-day operations, knows what's best. However, I also recognize that at the end of the day, public policy comes through here. And I'd rather be part of the process and have my members, my Board members, my people who have really good expertise to offer up, to help guide you folks to help craft legislation, as opposed to somebody just coming up with something out of a whim or if somebody says, "I believe this, and let's push a bill through." So I'd rather be-- If it's going to happen that way, I'd rather be part of that process.

ASSEMBLYMAN SCHAER: So let me admit to you that earlier today a bill was dropped called *Out of Network*. The bill was the result of well over 100 hours of public discussion on the issue, as you're very well-aware. And we appreciated your support and the Chamber's support throughout the whole process.

The only concern that I have is that we understand, all of us, upfront, what's involved. And that is that if government is going to necessarily need to be involved, and if that's what has to happen, then so be it. Government is not evil, government is not bad, government is not this awful polluting giant. It can be a positive force for change. But I think we've got to understand that if government is going to be asked to bring in and convene such a process, then necessarily we've all got to understand that there are going to be people -- everyone is going to have to give a little bit at the table. The Out of Network bill, which took a lot of time-- I will tell you, some people have told me that they lost and other people have told

me that they won, and I have no doubt that in some way, perhaps, they're right. The bottom line is: There's a give and take here.

MR. EGENTON: Correct.

ASSEMBLYMAN SCHAER: And I believe firmly that if business is going to call upon government to undertake such a role, we're going to ask of business at the same time to stop its almost daily mantra that government is bad and that everything government is doing is inhibiting business' growth. You can't have-- You can't be calling upon government to take on that role on the one hand, and on the other repeat the same mantra. It's simply not fair. And, most importantly, besides not being fair, it doesn't take us anywhere. It doesn't lead us forward.

I will tell you that Pat Ryan is a good friend. What he has done at Hopewell Valley is extraordinary. I couldn't be more pleased with what's gone on with our small banks, our community banks, throughout the state. Under everyone's leadership, DOBI has always done a sensational job. And the present Commissioner is absolutely brilliant. But there's a give and take, right? On the one hand, Hopewell Bank cannot expect infusions of dollars from the State for investment purposes; and on the other hand demure when it comes to making loans to small businesses, which propel the economy and are necessary, on the other hand.

I'm sorry we've taken so long.

MR. EGENTON: No, I would just say -- just a last point to that, Chairman -- I know the work that you've done in your Committee with regard to Out of Network. And that's the process that I was alluding to. It takes a long time.

ASSEMBLYMAN SCHAER: You'll find another chairman to do that, won't you, Mike? (laughter)

MR. EGENTON: Well, sometimes it's a very long process. But you have to have all the right stakeholders, players there at the table. And you're right, sometimes in the end I guess one legislator always tells me here in the State House, "This group is not happy, and this group is not happy. I must be doing something right, because we're trying to get to that happy medium." But that's the-- If government has to get involved for the better good of the citizenry, I'd rather be part of that process and have our input there.

ASSEMBLYMAN SCHAER: Thank you very much.

Thank you, Chairman.

Assemblywoman Pou.

ASSEMBLYWOMAN POU: Thank you, Mr. Chairman.

For the entire session thus far I've kept very quiet just listening to everyone. But what I wanted to mention are just a couple of observations. One is that I've really enjoyed some of the dialogue and the exchange, as well as much of the information that was provided to each and every -- to all the members here present. It was interesting. And what I've learned from it is not -- what I've learned were several things. One is that the business community and all of the major stakeholders -- one of the very purposes of why we were brought here today and why the members -- why the leadership thought this was an important Committee to take place -- was so that we had an opportunity to listen to all the professionals, to listen to all the major stakeholders -- whether it's those individuals in the education field to ensure that we have the best possible ability of educating

our children, educating our workforce, making sure that we have a trained workforce for the future -- whether it's a -- and from the elementary, high school, and upper -- and higher education component. We've heard from them, as well as making sure that we had many different viewpoints from various different -- other groups -- whether it's on the energy level, the biotech that was learned earlier before. I was listening very carefully to Ms. Hart who talked about how every one -- for every \$1 that is committed to this industry, they are able to generate \$30 -- bring back \$30. Those are the kinds of things that we want to hear, that we want to learn about, that we want to be able to create the opportunity for this State to have, in terms of increasing its economic growth and job growth -- and creating job growth.

I also heard the need to make sure that we put in place certain controls within our regulatory system, that we find a way of making sure that some of those very antiquated statutes are ways of how to make a business run more smoothly. And through -- and advocating through the State system is one that can help to create the opportunity for those employment and job training -- job industry -- to allow for that to move forward.

We also talked about and learned, in terms of where-- What are some of the things that we need to do? Where are some of our major financial investments that need to be considered and put in place for the future? And if not today -- but for the not-so-distant future in terms of being able to establish that.

And it also -- we also-- What I learned today was also to look in terms of where -- what we need to do to invest in our state to make sure

that we are able to create that growth level and (indiscernible) our ranking level to a more respectable amount, based on what was talked about.

What I did not hear -- and I say this because as we were listening-- What I'm not hearing is that companies and businesses are not telling us, "Stay out of our business." They're not telling us, "Leave us alone." They are, however, telling us, "Help us to make a better New Jersey." We're asking you all -- all the professionals, all the individuals who have come before us, who have provided testimony, who have provided us with their professional insight in terms of what is best for New Jersey -- is to be able to say, "Look, how can we work together? What do we need to do? What are some of those tools that we need to make sure are in place?"

Our job is to listen. That's what we were asked to do here today. There was a great deal of conversation with respect to stimulating the job growth. What are some of those things for us to do?

And, Mr. Chairman, I want to say that we need to stop talking. There was an interesting discussion earlier when I thought we were, once again, debating the budget -- during the budget hearings. And I said, "Oh, God, no. Let's not go back there." Because we've gone through those channels. Let's us move forward. If we really are sincere, and we're really talking about wanting to do something, and wanting to move in the same direction, and wanting to move in the right direction of making sure we do that, let us make sure that we are, in fact, sincere about our desire to make a change in our state, make a change in making sure that what we do tomorrow is going to help create some major changes and not go back to the yesteryears or the yesterday of what we no longer can do anything about.

So I just want to say, Mr. Chairman, that I've heard some comments in terms of what was heard by other members. I will tell you -- and I just -- described to you what I've heard today. And I want to express my appreciation to all the speakers who spoke today with regard to this. Because this is the only way we're going to be able to make a difference.

Thank you.

ASSEMBLYMAN COUTINHO: Thank you, Assemblywoman.

Any other comments? (no response)

Thank you very much, Mike.

MR. EGENTON: Thank you, Chairman.

ASSEMBLYMAN COUTINHO: Just to make sure -- I believe he left -- is Evan Piscitelli, from UTCA, here? (no response)

ASSEMBLYWOMAN JASEY: He was here.

ASSEMBLYMAN COUTINHO: He was here earlier.

ASSEMBLYWOMAN JASEY: Yes, I saw him.

ASSEMBLYMAN COUTINHO: Thank you.

All right, next we have-- Okay, is it Marilyn Grabowski? President of Atlantic Infrared, Supplier Diversity Development Council.

Thank you for coming.

MARILYN GRABOWSKI: And thank you for inviting me.

I'm Marilyn Grabowski. I'm a small, woman-owned paving business.

ASSEMBLYWOMAN JASEY: Turn your mike on. (referring to PA microphone)

MS. GRABOWSKI: Try again.

ASSEMBLYWOMAN JASEY: Red is on.

ASSEMBLYMAN COUTINHO: Red is on, only in Trenton.

MS. GRABOWSKI: I'm Marilyn Grabowski. I own a small, woman-owned paving business. I'm also the President of the Supplier Diversity Development Council for the State, that is run by the BPU. And a couple of months ago you might have seen me in the *Star-Ledger*. I'm probably the only woman in New Jersey that fills potholes. And that will be a big conversation in a few weeks, I'm sure. Every newscaster and every newspaper will have a story on potholes.

What you were just saying, Assemblyman, about tradition in the State of New Jersey-- We certainly are so fortunate to have such a traditional state. And some of the challenges of a small, minority women business in the state is that -- in my field, in construction, you have companies that have been in business 50, 85, 100 years. And here you are, a small business, trying to compete.

Certainly the State segment here -- commerce -- I have to say that I've had people like Nina Moseley really help me come along as a small business over the years. And we're very appreciative. And I know that many of the suppliers that I deal with and the small minority businesses are very appreciative of the services that that group has offered to help the small business come along. Obviously, there is some concern that those things won't be here, with the way the economy is. And so I'm hoping that the State continues to provide small women businesses with help like that.

One of the other thoughts I had in listening to you about small businesses is that small business owners are solution-oriented more than any other type of business owner generally. And just like the traditional pothole solution -- we keep doing the same thing over and over again. I

find that as a small business owner, when I was driving here today, I looked at two of the things two of my crews were doing. And they were doing something at half the price that a traditional business would be doing. And that could really make a change in our state if we let some of these people in.

So my thought today, to the group is: What types of incentives and support are we putting behind some of these small women/minority businesses in a very traditional climate to help them grow, to help our economy, and to help jobs be created?

ASSEMBLYMAN COUTINHO: Thank you.

Any questions for the young lady?

Assemblywoman Jasey.

ASSEMBLYWOMAN JASEY: Not a question, but just to say hello. It's good to see you again. And I'm glad that you've got jobs going on in this climate.

ASSEMBLYMAN COUTINHO: I want to thank you for coming. It's very important to have a diversity of voices, even in this process.

I'm curious. Could you tell me: How would you rate access for minority businesses, women-owned businesses to, let's say, State procurement? Are we making any progress in that -- business opportunities for minority businesses to deal with government? I don't know. I mean, in your line of work, there are opportunities for that. But can you speak on that a little bit? Have we made progress?

MS. GRABOWSKI: There are very small opportunities in that the bids and the contracts that are put out are so, so large. And those

contracts that are put out -- there is sometimes a suggestion that you're supposed to use 5 percent or 3 percent of small women or minority businesses. And often we see that they use our name but never follow up with the work. So certainly that would be something that your legislation could help us with -- is compliance.

ASSEMBLYMAN COUTINHO: And if there was one thing this body could do to help your business, what would that be? No pressure. (laughter)

MS. GRABOWSKI: To have some set-aside work for smaller contractors, for sure.

ASSEMBLYMAN COUTINHO: Assemblyman DeAngelo.

ASSEMBLYMAN DeANGELO: A quick question for you. When you're doing public-sector work, are you having trouble with ascertaining the bonding requirements on work? On the business side of it, where are you receiving difficulties on that end?

MS. GRABOWSKI: The most difficulty is the larger contractor will actually even under-price the smaller contractor and do work without a profit just to put you out of business. The bonding has not been a problem for me, nor has the bidding. But we see, again, a very traditional field where people feel that they own the geography. They'll do everything-- They'll either try to buy you or put you out of business.

ASSEMBLYWOMAN POU: Mr. Chair.

ASSEMBLYMAN COUTINHO: Assemblywoman Pou.

ASSEMBLYWOMAN POU: Thank you, Mr. Chairman.

First of all, let me just say thank you so very much for being here. I think it's important that you are here because it allows us an

opportunity to hear your viewpoints from the small business perspective, but also from a small businesswoman and minority perspective.

Recently, during the -- I think it was during the latter part, just prior to the close of our budget season, I had introduced a budget -- pardon me, introduced a bill that would, in fact, do exactly some of the things that you've talked about here today -- that would address the opportunity for small businesswomen and minority companies to be able to have a benefit and an opportunity to participate in some of the programs, or give you an opportunity to bid on some of these contracts.

Unfortunately, that piece of legislation was passed by both Houses but vetoed by the Governor. I was saddened to see that happen, because I thought it was really a bill that would allow us the opportunity to really help to grow the industry -- the employers, the small business employers out there, such as yourself -- to be able to do that. So I'm hoping that there is another opportunity for me to work closer with the Administration in making sure that perhaps, maybe, we might be able to take another look at that particular piece of legislation that I had and find a way on how we might be able to work together in getting that through. It really allows for us to be able to give that type of incentive and ability for companies like yours to be able to help in our state's economy and, certainly, help to grow and provide jobs for those smaller business companies -- opportunities, I should say.

But, again, I appreciate you being here. I think it helps to put into place -- put focus. It helps to put a face with the very purpose of what the intent of that legislation was.

Thank you.

ASSEMBLYMAN COUTINHO: Thank you, again, for being here.

Any other questions?

ASSEMBLYMAN MALONE: Yes.

ASSEMBLYMAN COUTINHO: Assemblyman Malone.

ASSEMBLYMAN MALONE: I'm not sure-- In knowing this conversation, I'm not sure -- I thought yours was a training aspect. Was that my understanding, Nellie?

ASSEMBLYWOMAN POU: I don't think so.

ASSEMBLYMAN MALONE: Because in your case in point, with women and minority contractors, is it a training issue with you, or is it just basically getting muscled out of the business?

MS. GRABOWSKI: Muscled out.

ASSEMBLYMAN MALONE: Okay. And is there something specifically you could think of that we could do in legislation that would actually allow you the protections to move forward in being able to provide the services that you want to provide, and provide the work that you want to do? Is there something specific you think we could do for you to help you?

MS. GRABOWSKI: I do believe so. With this economy, I'm sure everyone is using the same expression: You can't have all your eggs in one basket. And one of the things I've been able to do is diversify not only in the type of clients but the type of size -- different types of companies, etc. -- and working as a subcontractor as well as a prime contractor. Truly, I do believe this legislation could help in working with the major prime contractors here in the state in giving them some type of incentive to work

with the small minority business. It may come up with some good ideas. Financially, I know, it's a difficult incentive to give. But if you did have some incentives, and something behind that, I do believe we would see some development and some great development.

ASSEMBLYMAN MALONE: Because from what I've heard is, basically you'll get some bigger GCs who go to you, get a price, then they'll shop your price against others, and then just basically reduce it down to an amount of money that you couldn't even stay in business to do it. Is that really what they're doing to you? They're just using the smaller contract, and women-- And, actually, in some cases, using your name and your company name in the bid, and then just basically wiping you out.

MS. GRABOWSKI: Right.

ASSEMBLYMAN MALONE: All right.

MS. GRABOWSKI: In this marketplace, you hold on to your work. Everyone does, correct?

ASSEMBLYMAN COUTINHO: I'm sorry. I think, Assemblyman, the young lady answered before. I think maybe what we're looking for is a possible increase in set-aside work. But also we need to take a look at enforcement of these set-asides, especially as it relates to-- I mean, this is somebody who would submit a fraudulent bid.

ASSEMBLYMAN MALONE: Right. If she is actually--

If your company is actually the designated subcontractor on a particular job, then they should not be able to remove you from that bid and that project.

MS. GRABOWSKI: And where does the compliance that we have in place today--

ASSEMBLYMAN MALONE: It may be a violation, but they're doing it.

ASSEMBLYMAN COUTINHO: We need to look at enforcement.

Assemblywoman Pou.

ASSEMBLYWOMAN POU: I just wanted--

Joe, I think you're right. It was-- It did have something to do with the training.

ASSEMBLYMAN MALONE: It was training set-aside money, I think.

ASSEMBLYWOMAN POU: It was. And you're absolutely correct.

But along those very same lines, it does still afford the opportunity for small business women and minority companies to be able to not only be able to have the opportunity to go out to bid and be given the same type of opportunity as some of your larger ones; but at the same time, also be able to expand upon those jobs available within that particular size company.

But, yes, it was a job training related set-aside. But I think, just going based on what the Governor -- I'm sorry, what the Chairman said--

ASSEMBLYMAN MALONE: Governor? You got promoted today. (laughter)

ASSEMBLYWOMAN POU: No, no, no, no. What the Chairman talked about is the opportunity for set-aside as what we -- as what was just discussed now with our panelist -- speaker.

ASSEMBLYMAN MALONE: In my other life, we used to have a civil technology -- civil engineering program. And we had a number of women go through the program who were very, very enthusiastic, very determined, and very good. And we'd see them go out in the business, and things would happen and they would get a little discouraged.

So if there is something I can do to work with Melanie (*sic*) on giving you additional protections, I would be more than glad to do so. Because I think it's a very worthy endeavor. And in my experiences in the technology areas, if you find a woman who wants to do this, she is usually better than most men in doing it. (laughter) So I would encourage you to keep up your good work.

MS. GRABOWSKI: Thank you.

ASSEMBLYMAN COUTINHO: Thank you very much.

MS. GRABOWSKI: Thank you.

ASSEMBLYMAN COUTINHO: All right. We're getting close to the finish line here.

Next we're going to hear something that is needed here in Trenton once in a while, Common Sense Institute of New Jersey, Jerry Cantrell. (laughter) Is Jerry here? (no response)

Common sense would say that he left.

ASSEMBLYMAN GREENWALD: He had enough common sense to leave. (laughter)

ASSEMBLYMAN COUTINHO: He had enough common sense to leave.

All right, last but not least, from the Commerce and Industry Association, David Lorette.

That is the last slip I have. Is that correct? (affirmative responses)

All right, David, you're the last contestant.

DAVID J. LORETTE, ESQ.: That's wonderful. Thank you.

ASSEMBLYMAN COUTINHO: Thank you for being here. Thank you for waiting it out.

MR. LORETTE: It certainly has been a long day, so I will make my comments relatively brief.

I should start out by simply thanking Speaker Oliver for convening this Committee today. And it's certainly noteworthy that it now joins the ongoing discussions that have started on economic development and job growth. It's certainly notable given that we also have the formation recently of the Red Tape Review Commission by Executive Order 41 last month, which of course follows up on the previous work of the temporary Red Tape Review Group, which is looking into issues related to the regulatory burdens facing the business community, as well as looking into (indiscernible) and its principles for future regulatory development.

I'm going to focus my brief testimony on several specific tax policies that have been of interest to the members of the Commerce and Industry Association. And at this time, I also have specific legislation that is working its way through the process at this time.

First and foremost, one that has been mentioned by several other organizations -- the single sales factor. There are bills A-1676 and its Senate counterpart S-1646. Under the current Corporate Business Tax Formula, there are three factors that are utilized to establish the tax. One would be the in-state sales, one is your in-state property, and the final being

the in-state payroll. The latter two, the property and payroll tax, certainly can be a disincentive to a company to invest within this state, expand within this state. And certainly in the case of a multi-state corporation, given the choice between our Corporate Business Tax or another state's Corporate Business Tax that may utilize the single sales factor, the decision would likely be clear to expand in the other state. So New Jersey should consider joining the other states, most notably our neighbors New York, Pennsylvania, and Connecticut, in enacting the single sales factor tax, going forward.

The second policy would be the elimination of the minimum Corporate Business Tax on S Corporations for our small businesses. Here I'm talking about Assembly Bill 2793 and Senate Bill 1879. Several years ago there was a change to the law which eliminated the shareholders of S Corporations from having to pay both the corporate tax as well as the personal gross income tax on the business profits for S Corporations. However, what still remains in our tax law is the payment of a minimum Corporate Business Tax on the annual gross receipts of the S Corporation, and that minimum tax can be anywhere from \$500 to \$2,000, depending upon those gross receipts. Eliminating this tax would prevent double taxation of the S Corporation shareholders, or would prevent a situation where you have the corporation having to pay the tax even though there has been no profit generated for a particular tax year.

And third, and finally, I would also urge this Committee to look into giving a manufacturing investment Corporate Business Tax credit. This is bill A-2474 and its Senate counterpart A-1865 (*sic*). And I see Assemblyman Coutinho shaking his head because--

ASSEMBLYMAN COUTINHO: It's a phenomenal bill.
(laughter)

MR. LORETTE: Yes, you've been the sponsor, and I know there has been some recent activity. The bill was, in fact, passed out of the Commerce and Economic Growth Committee in the Assembly, and I believe it has been second referenced to the Assembly Budget Committee at this time. New Jersey manufacturers, right now, can only receive a 2 percent or 4 percent equipment investment tax credit. And that 4 percent is only applicable to our smaller manufacturers, those being the employers with 50 or less employees, as well as having a taxable income of, I believe, \$5 million or less.

Our neighboring states of New York and Connecticut both provide for a manufacturing tax credit of up to 10 percent. These bills would provide for a tax credit of 20 percent. And it would apply not only for equipment investment, but it would also provide for the tax with respect to facility renovations and improvements.

With that, I will conclude my very brief remarks on these tax policies, and just note that they certainly would be small pieces to the very large puzzle of helping to drive our economic development and job growth going forward.

ASSEMBLYMAN COUTINHO: Sorry, David, I was-- You have the single sales factor, the manufacturer. What was the second one?

MR. LORETTE: The second one would be the elimination of the Corporate Business Tax -- minimum corporate tax on the S Corporations.

ASSEMBLYMAN COUTINHO: The S Corps.

I think, Assemblyman Malone, don't you-- You have that bill in, right?

Any questions? (no response)

Thank you very much for coming.

Well, we're just about done here. I want to, again, thank everybody for being here. I thought it was a productive day. We saw that even though we've done a lot, a lot needs to be done. And the business community is still concerned about the lack of demand and not enough strength in our economy. I can foresee a series of tax incentive bills, some of which I know the Administration is working on, some of which different groups that have come before us here are proposing.

And, again, I'd just like to thank everyone for the tone of the meeting here today. While we can't put more regulations on business, there is clearly a role for us to come up with some of the solutions. And I look forward to working with all of you here to develop some of those solutions.

Thank you all very much for coming.

(MEETING CONCLUDED)