

New Jersey Senate Republicans

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July 13, 2018

Stephen M. Eells, CPA
New Jersey State Auditor
125 South Warren Street
P.O. Box 067
Trenton, NJ 08625-0067

Dear Mr. Eells,

As a public servant and a staunch advocate for the responsible allocation of state resources, I feel that I have a responsibility to sound the alarm on what I believe is a gross misuse of funds, and save our taxpayers from having their hard-earned money wasted.

Recently, Governor Murphy signed the Garden State Film and Digital Media Jobs Act into law, green-lighting hundreds of millions of dollars in tax incentives for companies that will, at best, make a temporary investment in New Jersey, before heading for the Hollywood Hills.

The nonpartisan state Office of Legislative Services has also sounded the alarm, by reporting that, for a number of reasons, New Jersey could lose up to \$425 million in revenue over a 5-year period of providing these incentives.

\$425 million. For that amount of money, New Jersey could hire more than six thousand additional special education teachers to help our most vulnerable students, and still pay them the going rate. Surely, there are more reasonable investments we can make that would actually make a positive impact on the future health of our economy, our workforce, and our children.

There is no denying that New Jersey faces serious financial challenges. Our schools are still underfunded, as are our public employee benefit systems. We simply cannot afford to spend money on a single program that may not produce a return in revenue. It is in the best interest of our residents to ensure that every penny managed by a state entity is invested or spent wisely.

This "tax incentive program" is purely a giveaway to special interest groups who have no interest in the long-term financial wellbeing of our state. Why even call it an incentive? As designed, the program does not give these companies any reason to invest more money into our economy than they have previously spent. It is, in my view, an unconscionable waste of state resources.

On behalf of the hardworking taxpayers of New Jersey, I am calling on your office to conduct an audit to determine if this "tax incentive program" is, in fact, a worthwhile investment of money that could and should be spent on making their lives better.

Please provide relevant data on program participants and projects, and their contributions to the state, as soon as it becomes available. This data should include, but not be limited to:

- Effectiveness or lack thereof of similar programs in other states
- Jobs created (temporary and permanent)
- Property developed
- Lost state tax revenue
- Gained state tax revenue
- Gained local government tax revenue
- Estimate of any multiplier effect from the project
- Particular benefits in the South Jersey counties mentioned in the new law

Please be advised that I also plan to introduce legislation that will direct the State Auditor's Office to conduct further evaluation of these types of programs.

We cannot afford to waste any more money on incentives that are not producing a worthwhile return on investment for the people we serve.

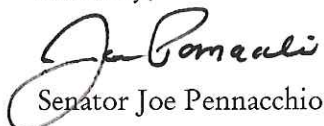
I know, based on your strong history of service, that you will be an independent voice for our taxpayers to judge the economic worthiness of our tax incentive programs.

[The excellent study you conducted in 2017](#), which found that a cost-benefit analysis performed by the EDA was lacking in essential details, proves that we must continue to work together to evaluate the effectiveness of tax incentive programs currently under the Authority's purview.

It is my hope that with your assistance, the next time a tax incentive is up for a vote, elected officials will have the data necessary to make an informed decision, instead of blindly approving a multi-million dollar mistake disguised as an "investment" in New Jersey's economy.

Thank you for taking the time to consider my request. I am grateful for your independent service to the Legislature, and the people we are honored to serve.

Sincerely,



Senator Joe Pennacchio