



# **The Senate Select Committee on Economic Growth Strategies**

Final Report

February 2020



BOB SMITH  
*Chair*

JOSEPH PENNACCHIO  
*Vice-Chair*

NILSA CRUZ-PEREZ  
DAWN ADDIEGO  
JOSEPH LAGANA  
DECLAN J. O'SCANLON

PATRICK BRENNAN  
ANDREW WARD  
*Office of Legislative Services*  
*Co-Committee Aides*  
(609) 847-3840  
(609) 292-0561 fax

**New Jersey State Legislature**  
**SENATE SELECT COMMITTEE ON ECONOMIC**  
**GROWTH STRATEGIES**  
STATE HOUSE ANNEX  
PO BOX 068  
TRENTON NJ 08625-0068

February 7, 2020

Honorable Stephen M. Sweeney  
President of the Senate

Dear President Sweeney:

I am pleased to transmit with this letter the final report of the Senate Select Committee on Economic Growth Strategies. The Committee was created to review the State's economic development programs; to seek input from leaders in the business community on State economic regulation; and to identify best strategies, policies, and practices to create jobs and attract capital investment to distressed communities and generate long-term economic opportunities throughout the State.

This report represents a comprehensive review of issues related to the State's economic incentive programs. After considering the testimony presented during the four public hearings held by the Committee, the Committee is proposing a number of recommendations to improve the State's economic development strategy. These recommendations touch upon a number of issues, including the size, design and structure of future incentive programs, as well as reforms addressing transparency, accountability, and oversight of the Economic Development Authority and the programs under its stewardship.

I would like to thank each of the members for their time and effort. The Committee is also grateful to all of the witnesses who took the time to appear before the Committee and contribute their thoughts and ideas for improving the State's economic policies.

Sincerely,

Senator Bob Smith, Chairman  
Senate Select Committee on Economic Growth Strategies

**SELECT COMMITTEE MEMBERS**

Senator Bob Smith, Chair

Senator Joseph Pennacchio, Vice Chair

Senator Nilsa Cruz-Perez

Senator Dawn Addiego

Senator Joseph Lagana

Senator Declan J. O'Scanlon

# Table of Contents

SELECT COMMITTEE MEMBERS.....	ii
BACKGROUND .....	2
CHARGE OF THE SELECT COMMITTEE .....	4
PROCESS OF THE SELECT COMMITTEE .....	5
MEETING SUMMARIES .....	6
<b>July 29, 2019</b> .....	6
<b>September 5, 2019</b> .....	7
<b>September 23, 2019</b> .....	8
<b>November 18, 2019</b> .....	9
RECOMMENDATIONS .....	10
<b>Program Structure</b> .....	10
<b>Transparency, Accountability, and Oversight</b> .....	14

## **BACKGROUND**

The “New Jersey Economic Opportunity Act of 2013” (EOA 2013), P.L.2013, c.161 (C.52:27D-489p et al.), was signed into law in September of 2013, consolidating five State economic development tax incentive programs into two – the Grow New Jersey Assistance Program (Grow NJ) and the Economic Redevelopment and Growth Grant Program (ERG). Both programs are administered by the New Jersey Economic Development Authority (EDA).

Grow NJ is a job creation and retention incentive program that provides businesses that create or retain jobs in New Jersey with tax credits ranging from \$500 to \$5,000 per job, per year, with 18 categories of bonus credits ranging from \$250 to \$3,000 per job, per year. Under the Grow NJ program, a business may qualify for multiple bonus credits, but there are also overall caps limiting total awards per job and per project. The bonus credits are awarded based on project type and location at various employment and investment totals. To be eligible for the program, a business is required to meet certain employment and capital investment requirements.

ERG is an incentive program for developers and businesses to address revenue gaps in development projects that have insufficient revenues to support the project debt service under a standard financing scenario. ERG can also apply to projects that have a below-market development margin or rate of return. ERG provides financing for three different types of projects, including residential, commercial, and mixed-use parking projects.

As required by the statute, the EDA formally engaged the Edward J. Bloustein School of Planning and Public Policy at Rutgers University (Bloustein) in March 2016 to commence an analysis of the Grow NJ and ERG programs. Bloustein issued its report on July 18, 2018 and recommended a series of program changes related to cost concerns. Bloustein’s recommendations included eliminating redundancies that allow businesses to be rewarded for meeting criteria that have already been awarded as part of their base award; revising the alternative approach used in calculating certain awards in the city of Camden; and adopting a hiring approval threshold for the cost-benefit test to reduce the number of awards granted.

On January 19, 2018, Governor Phil Murphy signed Executive Order No. 3, ordering the State Comptroller to conduct a complete performance audit of the Grow NJ and ERG programs from 2010 onward. The State Comptroller issued its audit on January 9, 2019. The Comptroller did not investigate any individual program award recipients but noted deficiencies with the EDA’s management and administration of the tax incentive programs. The audit also noted inadequate monitoring and lack of policies that created control deficiencies and further noted a lack of policies and procedures to monitor awardees’ performance. However, the Comptroller made no value judgements regarding the effectiveness of the programs.

Per a “sunset” provision in the EOA 2013, the EDA has been prohibited from approving any Grow NJ or ERG applications that were submitted after June 30, 2019. In order to prevent the “sunset” of the Grow NJ and ERG programs, the Legislature passed

Senate Bill No. 3901 on June 20, 2019, which would have extended the application deadlines for the Grow NJ and ERG programs to January 31, 2020. On August 23, 2019, Governor Murphy issued a conditional veto of S3901, returning the bill to the Legislature with recommended changes. There were five programs required to be established as part of the Governor's conditional veto:

- **NJ Forward** – a program that would provide tax credits to companies engaged in high-growth industries, U.S. businesses creating a Northeast headquarters, foreign businesses creating a U.S. headquarters, and job retention projects.
- **NJ Aspire** – a program that would promote investments in commercial, residential, and mixed-use projects through a place-based gap financing program.
- **Brownfields Redevelopment Program** – a program that would complement the EDA's existing Brownfields Loan Program and promote remediation projects and job creation.
- **Historic Preservation Tax Credit Program** – a program, modeled after the National Historic Tax Credit program, which would partially reimburse developers who revitalize income-producing historic buildings.
- **Innovation Evergreen Fund** – a fund designed to promote venture capital investment into New Jersey startups.

The Legislature did not act on or accept the provisions set forth in the Governor's conditional veto message. As a result of the operability of the existing "sunset" provision and Governor's conditional veto, the EDA has been prohibited from approving any Grow NJ or ERG applications that were submitted after June 30, 2019.

## **CHARGE OF THE SELECT COMMITTEE**

In response to concerns over the State's economic incentive programs, on May 13, 2019, the Senate passed Senate Resolution 139, establishing the Senate Select Committee on Economic Growth Strategies (Committee). Pursuant to the resolution, the Committee was required to:

(1) conduct a review of the State's current and previous economic development programs and determine the aspects of each program that were successful or unsuccessful; why those aspects were successful or unsuccessful; and how these programs may be improved in the future;

(2) seek input from State and regional leaders in the business community, academic experts in the area of economic development, and other qualified experts in order to identify a holistic approach to regulating the State's economy in a manner that will maximize private investment and job growth;

(3) utilize all documentation, testimony, and other relevant information that would assist with an analysis of compliance with the program requirements by recipients of economic development program benefits; and

(4) identify the best strategies, policies, and practices to create jobs and attract capital investments to distressed communities, and to generate long-term economic opportunities throughout the State.

The resolution required the Committee to issue a report of its findings and recommend legislation addressing the State's economic development policy.

## **PROCESS OF THE SELECT COMMITTEE**

Pursuant to the Senate Resolution 139, the Committee held four public hearings at the State House Annex in Trenton, New Jersey on July 29, 2019, September 5, 2019, September 23, 2019, and November 18, 2019. At all four hearings, the Committee took testimony from invited guests concerning the Grow NJ and ERG programs and economic development policy generally. Transcripts for these hearings, including written testimony submitted by witnesses, are available on the Legislature's website.

During its deliberations, the Committee took testimony from a wide variety of government agencies, stakeholders, and experts in the field of economic tax incentives, and Grow NJ and ERG award recipients. Over 30 witnesses testified before the Committee, including the prime sponsors of EOA 2013, tax incentive program experts, representatives from the EDA, State business organizations, the City of Camden, State labor unions, civil rights organizations, and various businesses located in the State that have received awards under the Grow NJ and ERG programs. The input the Committee received from witnesses serves as the basis for the findings and recommendations in this report.



## MEETING SUMMARIES

**July 29, 2019**

Witnesses:

**Raymond J. Lesniak**, former State Senator and a prime sponsor of the Economic Opportunity Act of 2013.

**Joseph M. Kyrillos, Jr.**, former State Senator and a prime sponsor of the Economic Opportunity Act of 2013.

**Laurence M. Downes**, former Chairman of the Board, New Jersey Economic Development Authority, and Chairman of the Board and CEO, New Jersey Resources

**Tim Sullivan**, CEO, New Jersey Economic Development Authority

**Bruce Ciallella**, Senior Vice President, New Jersey Economic Development Authority

**Thomas A. Bracken**, President and CEO, New Jersey State Chamber of Commerce

**Christina M. Renna**, Senior Vice President, Chamber of Commerce Southern New Jersey

**Andrew Musick**, Vice President, New Jersey Business and Industry Association

**Anthony Russo**, President, Commerce and Industry Association of New Jersey

**A.J. Sabath**, Representative, New Jersey Building and Construction Trades Council

**Michael Travostino**, Government Affairs Director, Associated Construction Contractors of New Jersey

Topics Discussed:

The first meeting of the Committee focused on the creation and enactment of the Economic Opportunity Act of 2013. The Committee heard testimony from the prime sponsors of the EOA 2013, former State Senators Raymond Lesniak and Joseph Kyrillos, to gain insight into their process and legislative intent. The Committee also heard testimony from Tim Sullivan, CEO of the New Jersey Economic Development Authority; as well as Larry Downes, the former Chairman of the New Jersey Economic Development Authority Board. Senator Lesniak and Senator Kyrillos provided their evaluation, in hindsight, of the effectiveness of the tax incentive programs. Finally, the Committee heard from representatives of the business, construction, and labor communities, to better understand the impact of the State's economic tax incentive programs from their perspective.

The first meeting has been archived and the transcript and accompanying written testimony can be found online at:

<https://www.njleg.state.nj.us/legislativepub/pubhear/seg07292019.pdf>

[https://www.njleg.state.nj.us/legislativepub/pubhear/seg07292019\\_appendix.pdf](https://www.njleg.state.nj.us/legislativepub/pubhear/seg07292019_appendix.pdf)

**September 5, 2019**

Witnesses:

**Timothy J. Bartik, Ph.D.**, Senior Economist, W.E. Upjohn Institute for Employment Research

**Josh Goodman**, Senior Officer, Pew Charitable Trusts

**Joseph Parilla**, Fellow, Brookings Institute

**Jackson Brainerd**, Policy Specialist, National Conference of State Legislators

**Michael L. Lahr, Ph.D.**, Director, Edward J. Bloustein School of Planning and Public Policy, Rutgers, The State University of New Jersey

Topics Discussed:

The second meeting of the Committee focused on tax incentive program policy and the effect of these programs on the State economy. The Committee heard testimony from experts in the field studying tax incentive programs in New Jersey and across the country. The witnesses provided the Committee with their assessment of the effectiveness of tax incentive programs and best practices and recommendations for future tax incentive programs.

The second meeting has been archived and the transcript and accompanying written testimony can be found online at:

<https://www.njleg.state.nj.us/legislativepub/pubhear/seg09052019.pdf>

[https://www.njleg.state.nj.us/legislativepub/pubhear/seg09052019\\_appendix.pdf](https://www.njleg.state.nj.us/legislativepub/pubhear/seg09052019_appendix.pdf)

**September 23, 2019**

Witnesses:

**Dana L. Redd**, former Mayor, City of Camden and former State Senator

**Susan N. Story**, CEO, American Water Works

**Tom Doll**, President and Chief Executive Officer, Subaru of America, Inc.

**Jonathan L. Young, Sr.**, Freeholder and Liaison, Workforce Development Board, Board of Chosen Freeholders, Camden County

**John Scott Thomson**, former Chief of Police, Camden County Police Department

**Christopher J. Paladino**, President, New Brunswick Development Corporation

**Megan Chambers**, Co-Manager, Laundry, Distribution and Food Service Joint Board, Workers United, SEIU

**Tamara Clay**, Employee, Laundry, Distribution and Food Service Joint Board, Workers United, SEIU

**Charles Hall, Jr.**, President, Retail, Wholesale, and Department Store Union, Local 108

**Brian D. Levine**, Freeholder Director, Board of Chosen Freeholders, Somerset County

**John P. Maddocks**, Vice President, Somerset County Business Partnership and Economic Development Officer, Somerset County

**Michael V. Kerwin**, President and CEO, Somerset County Business Partnership

Topics Discussed:

The third meeting of the Committee focused on recipients of EDA tax incentive awards and the impact of delayed tax incentive awards, the expiration of the Grow NJ and ERG programs, and the overall impact of tax incentives on the economy. The Committee heard testimony from business leaders who have received tax incentive awards and public leaders whose communities are directly affected by the tax incentive programs. The witnesses provided the Committee with insight into how the businesses and State have benefitted from the tax incentives and hardships created by the delay of current tax incentive awards. The witnesses also provided recommendations to the Committee for future tax incentive programs.

The third meeting has been archived and the transcript and accompanying written testimony can be found online at:

<https://www.njleg.state.nj.us/legislativepub/pubhear/segs09232019.pdf>

[https://www.njleg.state.nj.us/legislativepub/pubhear/segs09232019\\_appendix.pdf](https://www.njleg.state.nj.us/legislativepub/pubhear/segs09232019_appendix.pdf)

**November 18, 2019**

Witnesses:

**Charles Wowkanech**, President, New Jersey State AFL-CIO

**Richard Smith**, President, New Jersey State Conference of the NAACP

**Clayton Gonzalez**, Camden County Police Department

**Sean Brown**, Camden community activist

**Paymon Rouhanifard**, Co-founder and CEO, Propel America and former Superintendent, Camden City School District

**George E. Norcross III**, Executive Chairman, Conner Strong & Buckelew

**Rabbi Gedaliah Zlotowitz**, President, Artsroll/Mesorah, Mesorah Heritage Foundation

**Michael Goldstein and David Henderson**, Principals, HHG Development Associates, LLC

**Ron Beit**, Founding Partner & CEO, RBH Group

Topics Discussed:

The fourth and final meeting of the Committee focused on the effects the tax incentive programs had on local communities within the State and the award recipients. The Committee heard testimony from businesses and public leaders across the state regarding the effect the tax incentive programs have had on business, public education, public safety and the economy. The witnesses also provided recommendations to the Committee for future tax incentive programs.

The fourth meeting has been archived and the transcript and accompanying written testimony and supplementary materials can be found online at:

<https://www.njleg.state.nj.us/legislativepub/pubhear/segs11182019.pdf>

[https://www.njleg.state.nj.us/legislativepub/pubhear/segs11182019\\_appendix.pdf](https://www.njleg.state.nj.us/legislativepub/pubhear/segs11182019_appendix.pdf)

[https://www.njleg.state.nj.us/legislativepub/pubhear/segs11182019\\_supplementary\\_materials.pdf](https://www.njleg.state.nj.us/legislativepub/pubhear/segs11182019_supplementary_materials.pdf)

## RECOMMENDATIONS

### **Program Structure**

- ❖ **Reduce Generosity of Key Incentive Programs** – The unprecedented generosity of the Economic Opportunity Act of 2013 was intended to stimulate a lagging economy that struggled to recover from the Great Recession. Construction starts were abysmal, and the State was still coping with the devastation caused by Superstorm Sandy, which made landfall less than a year prior to the bill’s enactment. Because economic conditions have changed, the Committee recommends reducing the amount of credits that can be provided in a single award, with exceptions for particular municipalities or geographical areas that may be prioritized by the Legislature, as Garden State Growth Zones were under the Economic Opportunity Act of 2013.
- ❖ **Require Community Benefit Agreements** – Many award recipients of the incentive programs signed “Community Benefit Agreements” with the local government or an organization working on its behalf. These agreements are legal contracts that outline benefits that the developer or company guarantees to residents of the area. The benefits can include jobs for local residents, workforce development, dedication of open space, service contracts, affordable housing, childcare centers, public access to health and recreational facilities, and educational improvements. The agreements may also set forth the terms of property tax abatements. Beneficiaries of any new program should be required to sign a community benefit agreement.
- ❖ **Incorporate Workforce Training and Educational Partnership Requirements** - Workforce training and educational partnerships between award recipients and local job training centers and educational institutions can benefit businesses and communities by strengthening the pool of potential employees and providing residents with the skills and resources they need to access better-paying jobs. As part of or in addition to community benefit agreements, beneficiaries of any new program should when practicable be required to collaborate with local one-stop career centers to provide customized training to enhance the job readiness of local residents. Similar partnerships should be required to be formed with New Jersey’s 4-year public colleges and universities, community colleges, and vocational-technical schools to foster greater opportunities for apprenticeships, internships, and cooperative education programs geared to those students newly entering the workforce.
- ❖ **Increase of the Required Net Benefit** – According to experts who have reviewed the State’s incentive programs, the net benefit requirement in Grow NJ, 110 percent in most cases, was exceedingly low. The State’s successor incentive programs should require that projects provide the State with a considerably higher return on the State’s investment. The Legislature should, however, maintain a reduced net benefit requirement for targeted areas receiving enhanced benefit, which should include an outcome determinative test specifying the expected

investment and/or job creation proposed by the award recipient compared to what was produced by the award recipient.

- ❖ **Impose a Strict Cap on Individual Awards, But No Annual Program Cap** – New Jersey’s incentive awards pursuant to the Economic Opportunity Act of 2013 were worth roughly twice the national average. The Legislature should consider lower caps on award amounts and include language that permits the Economic Development Authority to limit an award to the amount necessary to induce the project. If projects result in a net benefit to the State and have other desired effects, such as stimulating job growth and contributing to urban revitalization, the Legislature should not limit the aggregate amount of awards that can be granted in a given year. Alternatively, the EDA should be given the flexibility to provide incentive awards to applicants that exceed the investment and job creation proposed in the application.
- ❖ **Provide Enhanced Benefit to Selected Cities in Need of Private and Public Investment** – Although the Economic Opportunity Act of 2013 resulted in significant investment in cities such as Camden and Newark, other major cities, such as Trenton and Paterson, failed to attract the level of investment policymakers expected. These cities and others that are in great need of revitalization and property tax income should be eligible for higher incentive amounts. The Select Committee recommends the Legislature consider making future bonus incentives or award tiers city-specific in order to cater to the strengths and weaknesses of individual cities rather than applying the same bonus incentive requirements for each city.
- ❖ **Encourage Development in Population Centers and Business Districts Including Those in Suburban Areas** – Although the Select Committee believes that select urban areas should receive the most generous incentives, the Legislature should structure future legislation to entice private investment in distressed suburbs. The legislation should also provide an enhanced benefit to entities that make a capital investment in an abandoned and underutilized office park or corporate campus. In distressed urban centers and in abandoned office parks, existing infrastructure and investment are being underutilized. The Legislature should focus on maximizing utilization of existing infrastructure, rather than just the location itself.
- ❖ **Develop Agreements Based on Entirety of a Business’s Operations** – Larger, more established businesses are complex organizations that may have multiple affiliates or subsidiaries working to achieve differing goals and objectives all within a single state or jurisdiction. The operations of those businesses are just as complex. The Select Committee believes this complexity should be considered in developing agreements and calculating incentive awards under new programs so that future awards are evaluated in the context of the entirety of a business’s operations within this State, not within the silo of a discrete project. An incentive program based on jobs created may contain provisions allowing the Economic Development Authority to redetermine an award if a business or a parent corporation of an affiliate decreases New Jersey jobs and other New Jersey

commitments, even while maintaining the jobs or commitments needed to comply with the terms and conditions of an agreement for a specific project.

- ❖ **Include a Residential Tax Credit Program to Facilitate Urban Revitalization** – The Residential ERG program successfully facilitated the development of mixed-use projects around the State. This program was particularly important in urban areas in which market rate rents were low and contributed to a financing gap for the developer. The Legislature should again enact a residential tax credit program intended to close a developer’s financing gap for residential and mixed-use projects. This residential tax credit program should prioritize urban areas in need of revitalization, and the program should require that a certain percentage of units be set aside for affordable, workforce housing. While administering the program, the Economic Development Authority should collaborate or consult with the Housing and Mortgage Finance Agency, which has more experience in financing residential development.
- ❖ **Reduce Reliance on “But For” Test** – Under the current requirements of the Economic Opportunity Act of 2013, it is virtually impossible to prove or disprove that a developer or company would not have located or remained in New Jersey “but for” an incentive award. Furthermore, this requirement not only invites abuse, but also requires companies to shop other locations outside of New Jersey. The Economic Development Authority should be given discretion to establish an objective method to make that determination, both when approving the application and in the setting of the award amount.
- ❖ **Incentivize Private Investment in Infrastructure** – Projects seeking to revitalize distressed areas may require significant infrastructure upgrade investment, including roads, water and sewer, open space, parking, and public transportation in order to maximize effectiveness. The Legislature should consider incentives that support these essential infrastructure projects as part of the award or encourage developers to make these investments. Coordinating between incentive activity and the State government entities responsible for this infrastructure is important to maximize the utility of public infrastructure.
- ❖ **Allow Upward and Downward Adjustment in Award Amounts** – Because incentive awards cannot be adjusted upward for businesses that outperform their commitment, businesses are better served by providing an ambitious job creation estimate rather than a prudent one. An incentive program based on jobs created should contain a provision allowing the Economic Development Authority to provide credits for a certain number of jobs that exceed the business’s initial estimate, and likewise, a way to scale down awards that fail to meet estimates, despite proper levels of investment and the good faith of the business, without being found to have violated or defaulted on the incentive agreement.
- ❖ **Structure Incentives to Target High Growth Potential, High Tech, and Environmentally Beneficial Industries** – New Jersey’s incentive portfolio should prioritize attracting high-value industries that maximize the benefit to the State. The new incentive program should prioritize life sciences, technology,

advanced manufacturing, higher education, renewable energy and recycling, aviation and defense, and corporate headquarters.

- ❖ **Simplify the Application Process for Small and Start-up Businesses** – The incentive application process is cumbersome and time consuming. Small businesses and start-ups do not have the resources that larger, more established entities can dedicate to such a process. The Legislature should simplify the application process for small and start-up businesses in order to make the incentive awards more accessible to those businesses. The Legislature should also require the Economic Development Authority to develop a streamlined and simplified application and documentation process so that smaller businesses can more effectively participate in these incentive programs.
- ❖ **Require PILOT Agreements to be Incorporated into Incentive Agreements** – Recipients of many tax incentive awards administered by the Economic Development Authority are also frequently engaged in property tax exemptions and PILOT agreements as part of the package of benefits being considered to make a capital investment or commit to increasing employment. However, PILOT agreements have their own set of challenges that are in need of further evaluation and reform, especially in terms of improving transparency and the distribution of PILOT payments which are made to the governing body of a municipality without adequate consideration to school districts and counties. The Economic Development Authority should evaluate future incentive awards in light of PILOT agreements and include requirements that businesses disclose details and provide for a more equitable distribution of PILOT payments as part of a condition to receiving an award.
- ❖ **Residential Tax Credits Should Assist with Affordable Housing Settlement Agreements** – Any affordable housing development not able to secure a 9% federal tax credit from the State should be eligible to compete for residential tax credits through the Economic Development Authority to help facilitate affordable housing obligations set forth in court-approved settlement agreements.
- ❖ **Create a Business Expansion Program for Small and Mid-Sized Businesses**- For New Jersey businesses planning to hire 50 or more full-time (equivalent) employees with salaries of 150% of the state or county average wage, whichever is less. The business would be provided an upfront loan that would be forgivable if certain criteria are met: the company maintains employment and compensation, hiring results in an increase of overall payroll employment for company, and the company consults with the state with respect to purchasing goods and services from within the state.



## Transparency, Accountability, and Oversight

- ❖ **Create Economic Development Authority Chief Compliance Officer Position** – The Legislature should create a Chief Compliance Officer position within the Economic Development Authority. The Chief Compliance Officer would lead the Economic Development Authority’s Division of Compliance. The Chief Compliance Officer would manage all procedures to ensure that incentive programs and awardees comply fully with the requirements of the relevant laws and regulations. The Chief Compliance Officer would maintain a central database of information concerning the management of all economic development incentive programs and information on economic development incentive program applicants and recipients.
- ❖ **Establish an Office of the Economic Development Authority Inspector General** – The Legislature should establish an Office of the Economic Development Authority Inspector General. The Office of the Economic Development Authority Inspector General would operate independent of the oversight or management of the Chief Executive Officer of the Economic Development Authority. The Economic Development Authority Inspector General, who must be retired member of the Judicial Branch appointed by the Governor with the advice and consent of the Senate for a term of four years, would lead the office. The Inspector General would coordinate activities to prevent, detect, and investigate economic development incentive fraud and abuse. The Inspector General would conduct regular compliance reviews and audits and provide notice to the Chief Compliance Officer and Attorney General, as appropriate, if the Inspector General determines that an awardee is not compliant with relevant laws and regulations or that program deficiencies exist. The Inspector General would refer complaints alleging criminal conduct to the Attorney General or other appropriate prosecutorial authority.
- ❖ **Publish Each Project’s Net Benefit Analysis** – In addition to relevant information considered by the Board, the Economic Development Authority should be required to publish the entirety of each project’s net benefit analysis, including any supplementary documentation or information that was prepared or submitted as part of the analysis. The analysis along with any associated documentation and information should be made available electronically through the Economic Development Authority’s website so that the public can review the full justification of amounts awarded under the newly established program. Additionally, Treasury must certify the Net Benefit Analysis used by NJEDA as it relates to the incorporation of tax measurements.
- ❖ **Make Explicit that the Attorney General Can Prosecute Companies for Falsifying Information** – Any entity that deliberately falsifies information on an application should be subject to criminal and civil penalties as determined by the Attorney General. The maximum penalties that currently apply to deliberately falsifying information on an application for an award should be increased, and the

Attorney General should be required to publicize these prosecutions fully in order to discourage bad actors from taking similar actions in the future.

- ❖ **Annual Recertification** – Incentive legislation should impose penalties for award recipients who include false information in its annual recertification attestation. Currently, penalties are imposed on award applicants who include false information in their initial applications. Similar penalties should be imposed for false information provided by recipients in the recertification phase. The penalty should differentiate between intentional and negligent submissions of false information.
- ❖ **Data Sharing Agreements** – The Economic Development Authority should have access to the Department of Labor and Workforce Development and Department of Treasury data, as appropriate, to better monitor compliance with program requirements. While an inter-agency agreement for data sharing currently exists, the Committee recommends codifying these agreements to ensure the continuation of data sharing among these agencies in the future.
- ❖ **Advice and Consent of the Senate for Appointments** – Economic Development Authority Board and Executive Director appointments should be subject to the advice and consent of the Senate.
- ❖ **Biennial Program Evaluations** – The Legislature also should require that future incentive programs undergo an independent evaluation every two years following implementation by a qualified, independent, outside organization. Included in the standards should be comparisons of what was proposed compared to what was produced and ancillary economic benefits to the community and region.