

APPENDIX B-14: NEW JERSEY



- **Overview**
- **Public Policy**
- **Economy and Innovation**
- **Workforce**
- **Education**
- **Cost of Market Entry**

Business Poll Ranking

CEO Confidence	46
CNBC	15
<i>Forbes</i>	19
Pollina	43
Site Selection	Not Ranked

Overview

New Jersey is situated in the middle of the nation's largest business corridor. Because of its centralized location, more than 20% of the Fortune 500 companies are headquartered either in or near the state. New Jersey's primary business environment includes chemicals, telecommunications, pharmaceuticals, petroleum-based products, insurance, and tourism.

Dozens of historical and cultural sites, highly-regarded museums, world-class theaters, and concert halls call New Jersey their home. Well-known for its 127 miles of beautiful, white sandy beaches, Atlantic City's eleven casino resort hotels, world-class shopping, and an outstanding park and forest system, Governor Jon Corzine's administration has made marketing New Jersey for economic growth a priority.

According to the state's website, if it was a country, New Jersey would rank as the 17th largest economy in the world. It currently ranks 6th among all US states in foreign direct investment.¹ Its location is vital and as is its highly-developed network of roads, rail, air, and sea port facilities in making New Jersey an attractive place for businesses.

- The Port of New York and New Jersey is the largest port complex on the Eastern Seaboard and the third-largest port complex in the US. It is the source of 230,000 jobs and is responsible for more than \$100 billion in trade. In addition, major ports on the Hudson and Delaware rivers offer sea and air access to Europe, South America, and Pacific Rim countries.
- The state also has over 35,000 miles of roads that provide crucial linkage to port and rail transportation facilities.
- The commuter rail network provides links to Amtrak, the Long Island railroad, NYC subways, and the Pennsylvania's SEPTA system.

For the purpose of this report, national rankings from CEO Confidence, *Chief Executive Magazine*, CNBC, *Forbes*, Pollina and *Site Selection* have been cited.

* Site Selection Magazine only ranks their top 25 states – New Jersey was not ranked in the top 25.

¹ "Taking Care of Business; New Jersey Advantage." State of New Jersey. 2007.

<http://www.state.nj.us/njbusiness/>

Chief Executive Magazine published its analysis of the best and worst states for doing business. New Jersey was ranked 47th out of 50 in this poll. Also, CEOs were asked to grade the states (scoring A – F) in three categories: "Taxation & Regulation", "Workforce Quality", and "Living Environment". New Jersey obtained a "D" rating in the "Tax & Regulation" category, a "B–" in "Workforce Quality", and a "C+" when it comes to the state's "Living Environment".² In the 2006 CEO survey, New Jersey was again ranked 46th, but in 2005 it ranked higher at 37th in the best state for doing business.

CNBC's ranking gave New Jersey an overall ranking of 15th. As with other rankings and surveys observed, the state's cost of doing business was at the bottom of the rankings, but, surprisingly, New Jersey's quality of life ranked first in the CNBC poll, as compared to the "C+" given to them by Chief Executive Magazine.³

Forbes ranked all the states on a scale of 1-50 (with a ranking of one being best) and placed New Jersey 19th out of the 50 states. Each of the primary rankings from *Forbes* is listed below.⁴

New Jersey's <i>Forbes</i> Rankings	
Overall Rank	19
2006 Rank	16
Business Costs Rank	46
Labor Rank	9
Regulatory Environment Rank	33
Economic Climate Rank	25
Growth Prospects Rank	7
Quality of Life Rank	3

Public Policy

Governor Jon Corzine took office in January 2006 after serving in the US Senate and has since pursued an active agenda of legislative efforts. Governor Corzine has utilized some bold methods in order to get his objectives passed into law. For example, in his first year, Governor Corzine initiated a historic government shut down when legislators refused to approve a sales tax hike that he thought was necessary to improve the state's financial debt.⁵ He has also occasionally taken some policy proposals directly to the

² "CEO Confidence Index January 2007." *Chief Executive Magazine*. January, 2008
<http://www.chiefexecutive.net/ME2/dirmod.asp?sid=&nm=&type=Publishing&mod=Publications%3A%3AArticle&mid=8F3A7027421841978F18BE895F87F791&tier=4&id=9C437513E7BB488EAB36AC00EC753FD3>

³ "What is America's Top State for Business: New Jersey." 2007. CNBC.
<http://www.cnbc.com/id/19558099>

⁴ Kurt Badenhausen. "Special Report: The Best States for Business." *Forbes Magazine*. July, 2007.
http://www.forbes.com/business/2007/07/10/washington-virginia-utah-bizez_kb_0711bizstates.html

⁵ Tom Hester, Jr. "NJ Government Shuts Down." *Associated Press*. *Lexis-Nexis Universe*. Online. 2 Jul. 2006.

people in the form of a public referendum.⁶ However, in some cases he has shown willingness to continue to pursue his objectives despite a program's unpopularity with the public. While the citizens of New Jersey have differing opinions of the governor, he has been rated highly for his efforts to pursue his goals for the state.⁷ The following is a summary of some of the governor's major policy objectives from his first two years in office.

Property Tax

The state is currently saddled with the highest property tax rate in the nation, and it is largely seen as an impediment to business. Citizens currently pay approximately \$6,000 per homeowner, nearly twice the national property tax average. The property tax has been rising nearly 7% a year.⁸ New Jersey governors, have often made lowering the state's property tax a focus of their campaigns. Since being sworn in, Governor Corzine has continued to list property tax reform as a priority, even making it a center point in his State of the State Address of 2007.⁹ Governor Corzine's plan called for citizens making less than \$100,000 to receive a 20% tax cut, while wealthier citizens making \$150,000-\$250,000 would receive a 10% tax cut.¹⁰ In order to achieve these objectives, Governor Corzine proposes a property tax cap. According to this plan, property tax increases would not be allowed to exceed 4% statewide, coupled with ethical reforms to discourage the type of corruption that drives up state costs.¹¹

Governor Corzine's property plan came under criticism, from local municipal and school leaders who did not want to be cut off from a major source of funding.¹² The effort met particular resistance from the New Jersey school system since it receives approximately 53% from state property tax revenue.¹³ Other means of making up the revenue, such as an increase of income taxes were unattractive to the governor.¹⁴ Under the final version of the plan, schools and local officials were given the ability to exceed the property tax cap, provided that they are able to successfully appeal to the state and the voting public and get 60% of New Jersey voters to approve their request.¹⁵ Governor Corzine signed this property relief bill into law in early April of 2007.¹⁶ Since then, the law has remained

⁶ Jeffrey Gold. "Corzine Signs Bill Seeking \$450 Million For Stem Cell Research." Associated Press. Lexis-Nexis Universe. Online. 26 Jul. 2007.

⁷ Gregory Method. "Corzine Gets a "C" For First Year." Ashbury Park Press. Daily Record. Lexis-Nexis Universe. Online. 25 Sep. 2006.

⁸ Tom Hester, Jr. "Amid NJ Tax Debate, No Shift From Hefty Property Tax Reliance." Associated Press State and Local Wire. Lexis-Nexis Universe. Online. 12 Jan. 2007.

⁹ Jon Corzine. "State of the State Address." Trenton, NJ. 9 Jan, 2007.

¹⁰ Corzine.

¹¹ Tom Hester, Jr. "Leaders Move Closer To 20 Percent Property Tax Cut." Associated Press State and Local Wire. 3 Jan. 2007.

¹² Hester, Jr. "Amid NJ Tax Debate."

¹³ Hester Jr.

¹⁴ Hester Jr.

¹⁵ Tom Hester, Jr. "Many Exceptions Could Threaten The Effectiveness Of Property Tax Cap." Associated Press State and Local Wire. Lexis-Nexis Universe. Online. 23 Jan. 2007.

¹⁶ Tom Hester, Jr. "Property Tax Help Welcomed, But Also Doubted." Associated Press. Lexis-Nexis Universe. Online. 3 Apr. 2007.

controversial with Democrats heralding it as a major success, while Republicans noting that it does not provide any relief for those making over \$250,000.¹⁷

Paid Family Leave

In 2007, Governor Corzine worked with the legislature to try to make New Jersey the third state in the nation to offer employees paid family leave.¹⁸ The original proposal would allow employees as many as weeks off. They would be eligible for up to two-thirds of their pay or up to \$502 a week if they took the leave.¹⁹ This plan has come under intense criticism and scrutiny from business leaders who believe that this bill would harm their competitive advantage in their respective markets.²⁰ The State Senate President has proposed cutting the allotted time from ten weeks to six weeks, but business leaders remain wary of the effect on business. Currently no agreement has been reached on the bill. However, the governor appears to be determined to try to pass a Paid Family Leave Bill in early 2008.²¹

Greenhouse Gases

In July of 2007, Governor Corzine signed an important agreement to reduce greenhouse gases (GHGs) and setting stringent limits on carbon emissions.²² The legislation requires the state to slash carbon emissions to 1990 levels by the year 2020. This is similar to a commitment taken by other states.²³ However, Governor Corzine committed the state to taking the unprecedented step of slashing emissions by 80% of today's levels by 2050.²⁴

Monetized Assets (Leasing Toll Roads)

Throughout the course of his state address, Governor Corzine frequently mentioned asset monetization as a method to raise revenue throughout the state in order to pay state debt.²⁵ In 2007, the Governor discussed privatizing state toll roads as a method to accomplish this goal.²⁶ The Governor has stated that with an acceptable form of monetized assets, the state can continue to meet the goals of providing tax relief, school

¹⁷ Tom Hester, Jr. "Property Tax Debate Still Rages As Election Nears." Associated Press State and Local Wire. Lexis-Nexis Universe. Online. 7 Oct. 2007.

¹⁸ Tom Hester, Jr. "Clock Ticking On Proposal For Family Leave In New Jersey." Associated Press. Lexis-Nexis Universe. Online. 20 Nov. 2007.

¹⁹ Trish Graber. "Corzine Defends Paid Family Leave." Gloucester County Times. Lexis-Nexis Universe. Online. 1 Dec. 2007.

²⁰ Josh Margolin. "Corzine Defends Family Leave Before Critics. Governor is willing to cut plan to six Weeks, But Business Group Is Skeptical." The Star-Ledger. Lexis Nexis Universe. Online. 12 Dec. 2007

²¹ Margolin.

²² Alex Nussbaum. "Corzine Commits State To War On Emmissions; Sign Law Establishing Aggressive Targets." Herald News. Lexis Nexis Universe. Online. 7 Jul. 2007.

²³ Nussbaum.

²⁴ Nussbaum.

²⁵ Corzine.

²⁶ Tom Hester, Jr. "Corzine Hints That Toll Increases Could Be Coming." Associated Press State and LocalWire. 28 Mar. 2007

construction and funding, transportation improvements, and university expansion if the state receives enough funding from a potential lease of these toll roads.²⁷

Despite the governor's promotion of the potential benefits of the asset privatization plan, the prospect was extremely unpopular with most residents of New Jersey.²⁸ Many people disapproved of the idea of private ownership and higher tolls.²⁹ State Republicans even attempted to use their opposition to the plan leading up to the state elections.³⁰ However, after the anti-toll road campaign failed to produce results for State Republicans, the governor appears determined to revisit the issue next year.³¹

Stem Cell Legislation

In 2006, Governor Corzine and the state legislature sought to establish themselves at the forefront of stem cell research. The state legislature passed legislation allowing New Jersey to borrow \$250 million to create five stem cell labs in the state.³² In an effort to encourage innovation in Stem Cell Research, the Corzine Administration issued \$10 million in grants to promote scientific research in early 2007.

The following summer, the governor championed a public initiative, which asked New Jersey voters to approve \$450 million over the course of ten years to fund stem cell research.³³ However this referendum was defeated by New Jersey voters in November of 2007.³⁴ Governor Corzine continued his push for Stem Cell funding despite the defeated referendum and his opposition's claims that the defeat of the referendum should mean that the state would cease borrowing money for the construction of labs.³⁵ Governor Corzine has proposed providing the money he was seeking in next year's budget proposal.³⁶

Regulatory Affairs

Small businesses employ the largest percentage of New Jersey's workforce, but the regulatory cost per employee to these firms is approximately 60% more than the cost to large firms.³⁷ The US Small Business Administration's Office of Advocacy reports that small firms (companies with 20 workers or less) spend nearly \$7,000 each year, per employee, just to comply with government regulations and mandates. This has made

²⁷ Hester Jr. March 28, 2007.

²⁸ Tom Hester, Jr. "Democrats Distancing Themselves From Toll Plan." Associated Press State and Local Wire. 28 Jul. 2007

²⁹ Hester Jr., July 28, 2007.

³⁰ Hester Jr, July 28, 2007.

³¹ Deborah Howlett. "Corzine's Remarks Provide Map Of 'Secret' Toll Revenue Plan." Lexis-Nexis Universe. Online. 26 Nov. 2007.

³² Josh Margolin and Dunstan McNichol. "New stem cell labs now in question After defeat of more funding, Corzine weighs options and says little." The Times of Trenton. 15 Nov. 2007.

³³ Gold.

³⁴ Margolin and McNichol.

³⁵ Margolin.

³⁶ Margolin.

³⁷ "New Jersey Legislative Agenda, 2007 Regulatory Flexibility Act in New Jersey." National Federation of Independent Business (NFIB). 2007. http://www.nfib.com/object/IO_27358.html

government regulation a barrier to companies wanting to do business in New Jersey. Nine of the cited problem areas on government regulations are listed below:

- Excessive fees and fines
- Overly adversarial relationships from government to business
- High compliance costs
- Burdensome paperwork
- Overlapping and redundant regulations
- Unnecessary, state-of-the-art technology requirements
- Obstacles to research and development activities
- Costly and burdensome right-to-know labeling and reporting requirements
- Regulatory burdens on small businesses and manufacturers

The 2007 Small Business Survival Index ranked New Jersey as the 50th worst state for its business environment.³⁸ This index took into account government spending trends, tax policy, regulatory policy, workforce issues, and cost of doing business. The overall score for New Jersey was 70.231. The state with the best ranking was South Dakota at 25.914.

On regulatory costs, no comparable analysis of state regulatory environments exists. However, the SBS Index took into account federal regulatory costs to better examine these same regulations at the state and local level. On September 19, 2005, The Small Business Administration's Office of Advocacy published a study estimating the costs of complying with federal regulations. Information from this report is detailed below to better examine New Jersey.³⁹

The per employee costs of federal regulations registered \$5,633 in 2004. However, that burden was not evenly distributed. For firms with less than 20 employees, the cost registered \$7,647, which was 41% higher than the \$5,411 per employee cost for firms with 20-499 employees, and 45% higher than the \$5,282 for firms with 500 or more employees.

In areas of environmental and tax compliance regulations, the burdens on small firms were even more daunting. On the environmental front, per employee regulatory costs for firms with less than 20 employees came in at \$3,296, which topped the \$1,040 cost for firms with 29-499 employees by 217% and the \$710 cost for business with 500 or more workers by 364%. In terms of tax compliance, the \$1,304 per employee costs for business with fewer than 20 employees exceeded the \$948 per employee cost for firms with 20-499 employees by 38% and the \$780 per employee costs for firms with 500 or more workers by 57%.

³⁸ Raymond J. Keating. *Small Business Survival Index 2007: Ranking the Policy Environment for Entrepreneurship Across the Nation 12th Annual Edition*. Small Business & Entrepreneurial Council, Washington, DC, November, 2007. 2.
http://sbecouncil.org/Media/pdf/SBSI_2007.pdf?CFID=514256&CFTOKEN=91743709

³⁹ Mark Crain. "The Impact of Regulatory Costs on Small Firms" Small Business Administration: Office of Advocacy. September, 2005. <http://www.sba.gov/ADVO/research/rs264tot.pdf>

Small manufacturers got hit particularly hard. Crain reports: “The compliance cost per employee for small manufacturers is at least double the compliance cost for medium-sized and large firms.”

The Small Business Administration's (SBA's) Office of Advocacy has led a campaign to have states pass their own versions of the federal Regulatory Flexibility Act. The purpose is to:

- Require state agencies to assess the economic impact before imposing regulations
- To consider less burdensome alternatives
- To allow for judicial review of the process
- To periodically review all regulations

Measurement in the SBS Index⁴⁰ is as follows: regulatory flexibility legislation status (score of “0” for states with full and active regulatory flexibility statutes, a score of “0.5” for states with partial or partially used regulatory flexibility statutes and a score of “1” for no regulatory flexibility statutes). New Jersey was given a score of 0.5 meaning that it is partially using the regulatory flexibility statutes. New Jersey is one of 12 states to have considered this legislation in 2007. The bill was introduced in the 2006 legislative session and continues to be active. The legislation passed the State Assembly 80-0 and awaits consideration from the full State Senate. The legislation needs to be reintroduced for the 2008 legislative session.

Health regulations represent a significant cost for businesses. Taxes, mandates, and regulations increase health care costs, increase the number of uninsured, and act as another disincentive to starting up or locating a business in a high-cost state.⁴¹ Guaranteed issue means that individuals may not be turned down for health insurance coverage no matter the condition of their health or risk status. A mandated issue raises health care costs. In addition, community rating mandates where an insurer charges the same prices for everyone in a designated region regardless of their varying health care risks translates into higher costs for businesses.

The council for Affordable Health Insurance reported in “Health Insurance Mandates in the States 2006” that “mandated benefits currently increase the cost of basic health coverage from a little less than 20% to more than 50% depending on the state.”

New Jersey's ranking for health insurance mandates in the Small Business Survival Index was slightly better than its overall score. The state ranked 34th with a score of 2.05. The state with the best score was Idaho at 0.70.⁴²

Tax Policy

⁴⁰ Keating, 24, in “Fact Sheet.” Small Business Association: Office of Advocacy. July, 2007.
http://www.sba.gov/advo/laws/factsmodeleg_03.pdf

⁴¹ Keating, 18.

⁴² Keating, 35.

The 2008 State Business Tax Climate Index ranked New Jersey as the 49th worst state for overall business tax climates.⁴³ This was primarily due to the fact that New Jersey has the 2nd to highest individual income and property tax systems and the 7th highest sales tax system. The five main components of the study included:

- The Corporate Tax Index
- The Individual Income Tax Index
- The Sales Tax Index
- The Unemployment Tax Index
- The Property Tax Index

Each of the 2008 rankings for New Jersey are listed below:

New Jersey	Overall Rank	Corporate Tax Index Rank	Individuals Income Tax Index Rank	Sales Tax Index Rank	Unemployment Insurance Tax Index Rank	Property Tax Index Rank
	49	41	49	44	24	49

Neighboring states ranked as follows: New York (48th), Pennsylvania (27th), and Delaware (9th).

New Jersey's personal income tax system consists of six brackets. The top rate of 8.97% takes effect at an income level of \$500,000. Among states with personal income taxes, New Jersey's top rate ranks 6th highest in the nation. Details on the state's income tax system are below:⁴⁴

Single taxpayers and married taxpayers filing separate returns face six rates:

- 1.4% on the first \$20,000 of taxable income
- 1.75% on taxable income between \$10,001 and \$35,000
- 3.5% on taxable income between \$35,001 and \$40,000
- 5.525% on taxable income between \$40,001 and \$75,000
- 6.37% on taxable income between \$75,001 and \$500,000
- 8.97% on taxable income of \$500,001 and above

Married taxpayers filing jointly, qualifying widow or widower and head of household filers face seven rates:

- 1.4% on the first \$20,000 of taxable income
- 1.75% on taxable income between \$20,001 and \$50,000
- 2.45% on taxable income between \$50,001 and \$70,000

⁴³ Chris Atkins and Curtis S. Dubay. *Background Paper: 2008 State Business Tax Climate Index*. October, 2007, Number 52. The Tax Foundation. 3. <http://www.taxfoundation.org/files/bp52.pdf>

⁴⁴ "State Tax: New Jersey." *2007 Tax Guide*. Bankrate. 27 Jan. 2007. http://www.bankrate.com/brm/itax/edit/state/profiles/state_tax_NJ.asp

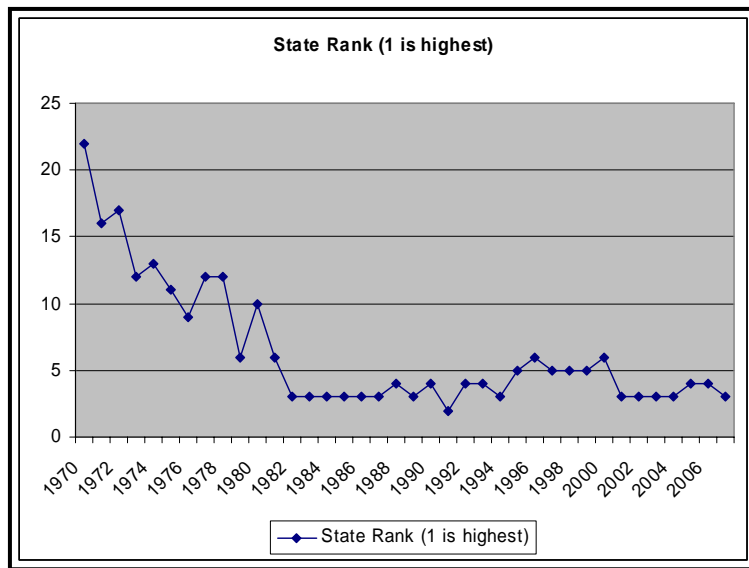
- 3.5% on taxable income between \$70,001 and \$80,000
- 5.525% on taxable income between 80,001 and \$150,000
- 6.37% on taxable income between \$150,001 and \$500,000
- 8.07% on taxable income of \$500,001 and above

New Jersey’s corporate income tax structure consists of a flat rate of 9% on corporate income. However, corporations with total net income of \$100,000 or less pay 7.5%. Corporations with a total net income of \$50,000 or less pay 6.5%. Among states with corporate income taxes, New Jersey’s top tax rate ranks as the 7th highest in the nation.

The sales taxes in New Jersey are among the highest in the nation. The state has a 7% general sales tax. This is above the national median of 5%. Local and state governments collect approximately \$721 per capita in general sales tax. All retail sales are taxable unless specifically exempt by law. Exemptions include most food items for at-home preparation, medicines, clothing, footwear, and disposable paper products for use in the home. However, New Jersey’s gasoline tax ranks 4th lowest in the nation at 14.5 cents per gallon.

According to the Tax Foundation, Tax Freedom Day arrived on May 10th in New Jersey during 2007.⁴⁵ This is the day when Americans have earned enough money to pay off their total tax bill for the year. This ranked the state as the 3rd highest in the nation. In addition, New Jersey’s state and local tax burden is among the highest in the nation. Additionally, New Jersey’s percent of income is 10th highest and estimated at 11.6% putting it above the national average of 11%. New Jersey tax payers pay \$5,991 per capita in state and local taxes, and per capita state income is \$51,605.

The following chart shows New Jersey’s overall state and local tax burden rank from 1970 to 2007. In 1970, the state had a ranking of 22. However, this ranking has steadily increased, and New Jersey now ranks as the state with the 3rd highest state and local tax burden.



⁴⁵ “American Celebrates Tax Freedom Day.” The Tax Foundation. 2007.

<http://www.taxfoundation.org/taxfreedomday/>

New Jersey is one of the 37 states in the country that collects property taxes at both the state and local levels. These are among the highest per capita in the nation. In New Jersey, local governments collect more than the state. All real property and tangible personal property located in the state of New Jersey is subject to property tax unless specifically exempted by statute.⁴⁶ New Jersey has several homeowner property tax relief programs available to qualified New Jersey homeowners. New Jersey's localities collected \$18,225,594,000 in property taxes in the 2004 fiscal year. This is the latest year the Census Bureau published state-by-state property tax collections.⁴⁷ At the state level, New Jersey collected \$3,660,000 in property taxes during the 2004 fiscal year. At \$2,099, New Jersey's combined per capita collections were the highest in the nation.

New Jersey collects an inheritance tax.⁴⁸ For transfer inheritance tax purposes, New Jersey's Domestic Partnership Act applies to those decedents dying on or after July 10, 2004. It exempts all transfers made by will, survivorship, or contract to a surviving domestic partner. In addition to the inheritance tax, New Jersey imposes a separate estate tax, which may be applicable even in cases where no New Jersey inheritance tax is due. Previously, the state's estate tax was tied to federal estate tax laws. Since 2001, changes to the federal code would have phased out New Jersey's estate tax based on the state credit amount, lawmakers decoupled from the federal rules. Currently, state law preserves the estate tax as it existed prior to 2002.

New Jersey is considered a donor state by the Tax Foundation.⁴⁹ New Jersey taxpayers receive less federal funding per dollar of federal taxes paid than any other state. Per dollar of federal tax paid in 2005, New Jersey citizens received approximately \$0.61 in the way of federal spending. This is a decline from 1995 when New Jersey received \$0.68 per dollar. Amounts for neighboring states were as follows: New York at \$0.79, Pennsylvania at \$1.07, and Delaware at \$0.77.

Economy and Innovation

In 2006, Governor Corzine established the Office of Economic Growth (OEG) and included it in the Executive branch of his state government. This office is responsible for "the overall strategy and direction of state government activities that affect New Jersey businesses. Specifically, OEG oversees the development and implementation of Governor Corzine's comprehensive Economic Growth Strategy."⁵⁰ The governor also established an Economic Growth Council within his state, comprised of business, education, and labor leaders. This council provides advice to the governor regarding expansion and roadblocks to expansion and development.

⁴⁶ "State Tax: New Jersey." 2007 Tax Guide.

⁴⁷ "State Government Tax Collections: New Jersey 2006." U.S. Census Bureau. 30 Mar. 2007.
<http://www.census.gov/govs/statetax/0631njstax.html>

⁴⁸ "State Tax: New Jersey." 2007 Tax Guide.

⁴⁹ "Research Areas: New Jersey." The Tax Foundation. 4 Apr. 2007.
<http://www.taxfoundation.org/research/topic/44.html>

⁵⁰ Jon Corzine. "Governor Corzine Establishes Office of Economic Growth as a Permanent Part of the Executive Branch." State of New Jersey: Office of the Governor. 5 Jan. 2007.
<http://www.nj.gov/governor/news/news/approved/20070105b.html>

Governor Corzine's Economic Growth Strategy was released in November 2007. Included in the strategy are six key priorities.

- Market New Jersey for economic growth by partnering with the state's businesses and helping them to grow and prosper.
- Develop a world-class workforce by assisting the state's students and jobseekers to obtain the skills and education needed in a competitive global economy.
- Promote sustainable growth with a particular emphasis on the state's cities and make strategic infrastructure investments to support economic growth while protecting the environment.
- Nurture the development of new technologies, and ensure that the state continues to be a leader in innovation.
- Encourage entrepreneurship and the growth of small, minority-owned, and women-owned businesses.
- Enhance the global competitiveness of New Jersey's businesses.⁵¹

Innovation is vital to the state's economic growth. Recognizing this, 92 technology and biotechnology companies were approved to share the \$60 million allocation available in 2007 through the State of New Jersey's innovative and enhanced Technology Business Tax Certificate Transfer Program. According to the state's website, the program assists with the development of new technologies by enabling qualified businesses to sell tax losses or research and development tax credits to raise cash to finance their growth and operations.

There are at least four economic growth initiatives put forth by the governor worth mentioning: the Edison Innovation Fund, The Urban Fund, the Stem Cell Initiative, and the Port Initiative. The state's Edison Innovation Fund was designed to promote the growth of young technology and biotechnology businesses in New Jersey. Launched in 2006, The Urban Fund seeks to stimulate investment in urban communities by providing businesses and community development organizations with the financial and technical tools needed to grow and revitalize neighborhoods. In 2004, New Jersey became the 2nd state to legalize stem cell research.⁵² Because of this, New Jersey's Stem Cell Research Initiative was created to build a vibrant stem cell research community that will develop innovative treatments for patients and generate economic opportunity and job growth in New Jersey.

In addition, critical investments are being made by the state in coordination with private industry to support the growth of the state's ports and logistics infrastructure. The state's Port Initiative includes various public and private entities responsible for domestic and

⁵¹ "Six Priorities of Economic Growth." Taking Care of Business New Jersey Advantage: Economic Growth Strategy. State of New Jersey. <http://www.nj.gov/njbusiness/economic/priorities.shtml>

⁵² "Stem Cell Initiative." Taking Care of Business; New Jersey Advantage: Economic Growth Strategy. State of New Jersey. http://www.nj.gov/njbusiness/njadvantage/initiatives/approved/20071030_02stem_cell.shtml

international goods movement to ensure the industry and the state remains competitive.⁵³

Workforce

The state of New Jersey's offers some of the most educated workers in the country. According the US Census Bureau, 29.8% of state residents age twenty-five or older have earned their bachelors degree or an advanced graduate degree.⁵⁴ That figure is nearly 5% higher than the national average. Additionally, the Beacon Hill State Competitiveness Report (SCR) ranked the state 12th in the category of scientists and engineers as part of the labor force.⁵⁵ However, the state does trail regional rivals, Maryland which is ranked 3rd⁵⁶ and Delaware which is ranked 7th.⁵⁷

In addition to having some of the most educated workers, New Jersey industries and businesses are uniquely well positioned to be strong competitors in the "New Economy." The 2007 New Economy (NE) Index defines this new economy as supplying an ample supply of managerial, or "knowledge dependent jobs."⁵⁸ Additionally, the study also declares the new economy to be global, entrepreneurial, rooted in technology and driven by innovation.⁵⁹ When the authors of the study compared the characteristics of all states according to their criteria, New Jersey placed extremely high at 2nd in the nation, trailing only Massachusetts.⁶⁰ In singling out particular factors behind New Jersey's stellar ranking, the authors said:

"New Jersey has a strong pharmaceutical industry, coupled with a high-tech agglomeration around Princeton and an advanced services sector in Northern New Jersey."⁶¹

The study went on to identify particular areas of the new economy where New Jersey performed exceptionally well. These sections are described in more detail below:

The NE Index ranked New Jersey 7th in the field of knowledge-based jobs. Typically these jobs are held by professionals or technicians and generally require at least some college education.⁶² Particularly strong motivators behind New Jersey's high ranking in

⁵³ "Port Initiative." Taking Care of Business; New Jersey Advantage: Economic Growth, Strategy and Initiatives. State of New Jersey.

http://www.state.nj.us/njbusiness/njadvantage/initiatives/approved/20071030_01port.shtml

⁵⁴ "New Jersey Quick Facts." The US Census Bureau. 31 Aug. 2007.

<http://quickfacts.census.gov/qfd/states/34000.html>

⁵⁵ David Tureck, Jonathan Haughton, Frank Conte, and Christopher Doyon. State Competitiveness Report 2007. Boston: Beacon Hill Institute for Public Policy Research at Suffolk University, 2007. 45.

<http://www.beaconhill.org/Compete07/Compete2007State.pdf>.

⁵⁶ Tureck, 35.

⁵⁷ Tureck, 23.

⁵⁸ Robert Atkinson and Daniel K. Correa. The 2007 State New Economy Index.: Benchmarking Economic Transformation in the States. Innovation Technology and Innovation Foundation.

February, 2007. 3. http://www.kauffman.org/pdf/2007_State_Index.pdf

⁵⁹ Atkinson, 3-4.

⁶⁰ Atkinson, 13.

⁶¹ Atkinson, 18.

⁶² Atkinson and Correa, 20.

this section were the number of information technology (IT) jobs in the state. This is largely because companies often use IT to promote new products and services. In this category, New Jersey ranked 3rd nationally and trailed only Maryland in its region for IT career opportunities.⁶³

Additionally, New Jersey also ranked quite high in the Knowledge Based Jobs Section for having a well educated workforce which the study cites as critical to increasing productivity and fostering innovation.⁶⁴ In this section New Jersey is ranked 6th nationally and once again only trails Maryland which is ranked 3rd in the region.⁶⁵ This particular positive ranking is complemented in another similar survey, the 2007 State Competitiveness Report (SCR) which compares states' business climates on a variety of different factors.⁶⁶ In this category the SCR ranked New Jersey's education level of the workforce by the number of scientists and engineers (who likewise foster innovation) as a percentage of the workforce. In that specific category, New Jersey ranked 12th and trailed both Maryland at 3rd⁶⁷ and Delaware at 7th⁶⁸ in the region.

In addition to measuring the quality of the workers, the NE Index also measures the success of "new economy" businesses within the state. Here New Jersey also ranked very highly. The state ranked 5th for the having the largest number of "fastest growing firms."⁶⁹ In order to qualify for this list, a company must see a 200% growth in their revenue over a four year span. Here, New Jersey ranked 3rd in its region, behind Massachusetts at 2nd and Maryland at 3rd.⁷⁰

In addition to the "fastest growing firms" New Jersey ranked 6th in the category of "job churning" employment opportunities.⁷¹ Job churning occurs when there are a large number of jobs either being created or dissolving within a given period of time.⁷² According to the study, while a job churning state may contain a lot of risk for a potential employee, the churn helps drive economic innovation and growth.⁷³

Finally, in addition to the positive news for potential employees, these studies also reflected areas where the state could improve, especially when it comes to attracting employers. In the SCR, considerations such as the states unionization,⁷⁴ minimum wage and unemployment rates were taken into consideration.

⁶³ Atkinson, 21.

⁶⁴ Atkinson and Correa, 23.

⁶⁵ Atkinson.

⁶⁶ Tureck, et al.

⁶⁷ Tureck, 35.

⁶⁸ Tureckk, 23.

⁶⁹ Atkinson and Correa, 34.

⁷⁰ Atkinson.

⁷¹ Atkinson and Correa, 33.

⁷² Atkinson.

⁷³ Atkinson.

⁷⁴ Tureck, et al, 45.

New Jersey is a heavily unionized state with 20.1% of its workers belonging to a union.⁷⁵ Furthermore, the state's minimum wage rate is also one of the highest in the nation at \$7.15.⁷⁶ Additionally, the SCR ranked the state among the top five highest rates in the country.⁷⁷ When compared to the rest of the region, New Jersey is 2nd only to New York.⁷⁸ However, New Jersey does continue to have a strong employment rating. Currently, unemployment in New Jersey is 4.1% of the population,⁷⁹ a half-percent lower than the national average.

Education

The US Department of Commerce, with affiliate Institute for a Competitive Workforce, recently published a report entitled *Leaders and Laggards: A State by State Report Card on Educational Effectiveness*.⁸⁰ This report graded each state in nine specific categories. In the first category, "academic achievement", New Jersey earned an "A". Student performance in New Jersey is very strong and the state ranks among the highest in the nation. Fourth graders stand 10 percentage points above the national average in the percentage at or above the proficient level on the NAEP math exam. The state earned a "B" in the academic achievement of low-income and minority students. Compared with the rest of the country, New Jersey posts solid marks in this category. Twenty-five percent of Hispanic 4th grade students score at or above the proficient level on the NAEP math exam. The national average for Hispanic 4th graders is 19%.

New Jersey only earned a "D" in "return on investment." Student achievement in New Jersey is poor relative to state education spending (after controlling for student poverty, the percentage of students with special needs, and cost of living). In "truth in advertising about student proficiency" the state received a "C". New Jersey gets average marks on the credibility of its student proficiency scores. The grade is based on the difference between the percentage of students identified as proficient in reading and math on 2005 state exams and the percentage identified as proficient on the NAEP in 2005.

The state also gets a "C" for "rigor of standards." New Jersey receives a mediocre grade for the rigor of its standards. While New Jersey has enacted a rigorous exit exam that students must pass to graduate, the state's math curriculum standards receive poor marks. For "postsecondary and workforce readiness" New Jersey earns a high grade of an "A" in this category. Eighty-five percent of its 9th grade students receive a diploma

⁷⁵ "Union Affiliation Of Employment Wage And Salary Workers By State." Union Membership (Annual). United States Department of Labor: Bureau of Labor Statistics. Table 5. 26 Jan. 2007.

<http://www.bls.gov/news.release/union2.t05.htm>

⁷⁶ "Minimum Wage Laws In The States: New Jersey." The Department of Labor: Employment Standards Division. Wage and Hour Department. 24 Jul. 2007.

<http://www.dol.gov/esa/minwage/america.htm>

⁷⁷ Tureck, et al.

⁷⁸ Tureck, 47.

⁷⁹ "New Jersey October Employment Increased And September Estimate Revised Upward; Unemployment Rate Declined To 4.1 Percent in October." State of New Jersey: Department of Labor and the Workforce Development. 15 Nov. 2007. <http://lwd.dol.state.nj.us/labor>

⁸⁰ The Institute for a Competitive Workforce. Leaders and Laggards: A State By State Report Card on Educational Effectiveness. US Chamber of Commerce, 2007. <http://www.uschamber.com/NR/rdonlyres/e6vj565iidmycznvk4ikm3mryxo5nslm7iq2uyrta5vrqdxsagjvkxafz6r3buzaopo4uxv4o4ep4nvhmc3ppc7drjd/USChamberLeadersandLaggards.pdf>

within four years, and 54% of 9th graders who finish high school in four years go on to college. The state's 21st century teaching force earns New Jersey a solid "B" for its teacher workforce policies. The state has opened up alternative routes into the profession, requires high school teachers to pass subject knowledge tests, and requires alternative route participants to demonstrate subject matter expertise.

The state only earned a "C" for flexibility in management and policy. The state receives a middling grade on how much freedom and flexibility it gives its schools and principals. While 86% of principals report a major degree of influence over new teacher hiring, the state has not established a virtual school. Data quality in New Jersey gets the very low mark of an "F" for its efforts to collect and report high-quality education data. It does not use a unique statewide student identifier or collect student-level graduation and dropout data or enrollment and demographic information.

Based on the *US News and World Report* rankings of the top national universities, New Jersey is home to three top national universities in the county including number one ranked Princeton University.⁸¹ Also included in the top 100 is Rutgers at 59 and the Stevens Institute of Technology at 75. Drew University is ranked 69 among the top 100 liberal arts colleges in the *US News* rankings.⁸²

Cost of Market Entry

New Jersey's business costs are among the highest in the nation. In terms of policy environments, New Jersey is one of the most anti-entrepreneur policy environments in the country ranking 50th out of 50 states and the District of Columbia according to the Small Business Survival Index. New Jersey receive a rank of 50th for highway costs⁸³, 47th for electric utility costs⁸⁴, 48th for state and local property taxes⁸⁵, 46th for corporate capital gains taxes, and 45th for top corporate income taxes.

New Jersey has some of the highest labor costs in the country.⁸⁶ In the State Competitiveness Report, considerations such as the state unionization, minimum wage and unemployment rates were taken into account. New Jersey is a heavily unionized state with 20.1% of the working population belonging to a union.⁸⁷ Furthermore, the state's minimum wage at \$7.15, is one of the highest in the nation.⁸⁸ Additionally, the SCR ranked this as one of the top highest rates in the country, 2nd only to New York.⁸⁹

⁸¹ "America's Best Colleges 2008: National Universities" *US News and World Report*, 2007.
http://colleges.usnews.rankingsandreviews.com/usnews/edu/college/rankings/rankindex_brief.php

⁸² *US News and World Report* 2007.

⁸³ Keating, 43.

⁸⁴ Keating, 36

⁸⁵ Keating, 32

⁸⁶ Tureck, et al, 45.

⁸⁷ "Union Affiliation Of Employment Wage And Salary Workers By State."

⁸⁸ Tureck, et al.

⁸⁹ Tureck.