



STATE OF NEW JERSEY  
OFFICE OF THE GOVERNOR  
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JIM FLORIO  
GOVERNOR

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DIRECTOR OF POLICY

**MEMORANDUM**

**TO:** Governor Jim Florio

**FROM:** Commissioner Arthur J. Brown, Jr.  
Commissioner Geoffrey Connor  
Commissioner Tom Downs  
Commissioner George Zoffinger  
Commissioner Raymond L. Bramucci  
Chancellor Edward Goldberg  
Commissioner-Designate Barbara McConnell  
Carl Van Horn  
Sam Crane

**DATE:** December 5, 1991

**SUBJECT:** Cabinet Task Force on Economic Development

**A National Recession**

The national recession continues to affect New Jersey's economy and most experts predict a very slow recovery. The recession has affected almost every sector of our national economy. This means our citizens' expectations of economic security continue to erode while the federal government continues to show an inability to take decisive actions to stimulate the economy.

Our citizens are most concerned about jobs. Those employed are concerned about keeping their jobs and improving their economic security. Those not so fortunate and now unemployed are concerned about what new employment opportunities are available, what skills they need to get a job, and how to provide for their families while they search for a new job.

### The Florio Administration's Response

In the wake of these difficult times, your Administration has made significant progress in the past two years in developing and financing a series of programs and projects that contribute to the State's economic growth. New Jersey took the lead in assisting its unemployed workers by moving ahead of the federal government in extending benefits to the State's unemployed. Over \$5 billion in capital investment in New Jersey during the next few years will significantly improve New Jersey's infrastructure while providing much needed jobs for our citizens.

The two-year lifting of the Transportation Trust Fund cap added \$400 million in spending power to the economy and over 9,000 additional jobs. The State's development of the first time home buyers program with Fannie Mae was not only a boost to middle income families, but also to the construction industry. Building permits, awards for residential construction, and housing sales have steadily increased since early this year, public works and other infrastructure projects were up 56% from the same period in 1990.

The New Jersey Economic Development Authority (EDA) has done much in the past year to help ease the credit crunch and contribute to the State's economic development. The Authority has increased its financing activities making over \$250 million available to New Jersey businesses in 1991 compared to a little over \$40 million during the same period in 1990. This year alone, its activities have accounted for 4500 new construction jobs and 1600 permanent jobs across the State.

### Redoubling Our Efforts

The Task Force believes that investing in New Jersey's future now, lays the foundation for New Jersey to capture economic growth when the economy begins to recover. We need to redouble our efforts to identify services and projects which the State can undertake that will assist in creating new jobs while supporting workers most affected by the current economy - the unemployed.

Additional initiatives can be undertaken by the State to create new jobs, ease unemployment, and assist unemployed workers through these tough times. The initiatives build on New Jersey's current assets, including its infrastructure, its seashore, and, most importantly, its people.

The Task Force reviewed a number of proposals and is recommending seven broad economic policy objectives tied to eight specific initiatives that we believe are feasible, have a good chance of being implemented, create jobs, stimulate economic growth and aid those currently unemployed. We must continue to make the kinds of investments that help in the short term to cushion the current economy and pay off in the long term through increased economic growth. Our resources are not unlimited, so we must work harder and smarter to use our available resources most effectively. We have tried to be realistic in recommending, in most cases, projects that will not have a substantial impact on the FY 1993 State operating budget.

Each recommendation and a brief description is outlined below:

**Promote Infrastructure Investments and Job Creation**

**Proposal: Eliminate the Spending Cap of the Transportation Trust Fund**

After two consecutive years of spending over \$565 million annually on capital projects, the State will only have \$337 million available in FY 1993 from the Transportation Trust Fund due to legislative constraints. The recently enacted Surface Transportation Assistance Act includes a "maintenance of effort" provision which could require the State to spend approximately \$500 million a year in order to match all federal funds now available to New Jersey under the new bill.

With legislative approval, the Trust Fund has the financial capacity to enable the Department of Transportation to spend up to an additional \$200 million in fiscal years '93 and '94 and \$150 million in '95 on needed infrastructure projects, while at the same time providing 13,200 jobs in the State. Much of these additional funds can be directed to quick turnaround projects in order to insure the money is pumped into the economy quickly.

Removing the spending cap from the legislation would allow the annual level of Trust Fund expenditures to be determined through an annual capital budgeting process with the legislature. Each year the State's funding needs and the financing capacity of the fund would determine the appropriate level of funding.

The Task Force supports the concept that the State must have the flexibility to increase its capital spending during difficult economic times when private sector spending as well as construction costs decrease and should lower its spending in good times when private sector spending increases.

**Develop and Upgrade the Work Force to Meet the Global Competition**

**Proposal: Establish The Training Trust Fund Program**

One of the major factors affecting New Jersey's future economic growth will be the quality of its workforce and the ability of the state's workforce to keep pace with the changing needs of the marketplace. The Training Trust Fund Program would provide the financing for training programs to meet the needs of targeted groups within our workforce.

One program would focus on upgrading the skills of currently employed workers. This program would be a cooperative Business-Labor program that will help business and labor develop job training for employees to strengthen the competitive position of businesses, thus enhancing the State's economy and the job security of our workers. Job training would be provided to persons covered by the Employment Security System.

The second program that would be funded from the Training Trust Fund would address the needs of displaced workers requiring training to acquire new sets of skills for reentry into the workforce. Relying exclusively on wage replacement checks in anticipation of quick re-employment is a naive and fundamentally flawed proposition given the current structural changes in New Jersey's economy. Job skills which were once in great demand are quickly becoming obsolete, meaning that workers possessing these skills are no longer required. The ability of these individuals to gain meaningful employment becomes increasingly more difficult. A program of state-funded extended unemployment benefits could also be considered which would provide continued financial support for up to 26 additional weeks for displaced workers undergoing training.

The Training Trust Fund would be funded from the current unemployment insurance contribution system without increasing the tax burden to employers and workers. For

example, if 1/8th of 1% of workers' taxable wages were dedicated to this fund, a conservative estimation of \$40 million annually would be raised for the training program. The Unemployment Insurance Trust Fund currently has a surplus of \$2.6 billion.

**Proposal: Promote a Worksharing Program**

During a downturn in the economy, many companies are forced to layoff productive workers in order to keep a company afloat. An amendment to the State's Unemployment Compensation Law would enable workers and employers to enter into voluntary "worksharing" arrangements during a temporary economic slowdown.

Worksharing would serve as a substitute for layoffs by reducing the hours of work for some or all of the firm's employees. At a particular company, this could mean a three or four day work week, with workers eligible to collect unemployment benefits for idle days. Workers would not only retain their opportunity to work at least on a part-time basis; they would also be guaranteed continuation of health care and other important benefits while partially unemployed. The program would also include a training option through the Training Trust Fund that would enable employers and their workers to convert periods of slack work into opportunities to upgrade skills and enhance productivity to the long-run advantage of all parties.

Worksharing arrangements preserve the continuity of employment for the workers and enable employers to retain valued workers during periods of slack business. Employers avoid the risk that laid-off workers might seek employment elsewhere, which can result in substantial costs to recruit and train replacements.

The Worksharing Program would not increase costs to workers or employers, since benefits would be paid from the current Unemployment Insurance Fund.

**Address the Temporary Needs of the Displaced Worker**

**Proposal: Establish a Homeowners' Security Loan Program**

In these difficult economic times, homeowners face extraordinary challenges just to make ends meet. Mortgage

payments, utility and health care bills, and even the cost of buying groceries all seem to stretch our families to the limit. For some families, where one or both wage earners have been unemployed for months, they've reached the end of their financial limits, and they are in danger of losing everything they've worked for. More and more displaced workers exhaust unemployment assistance, then their hard-earned savings, and are finally pushed to the brink of financial disaster.

The Homeowners' Security Loan Program would provide loans, at low-interest, to those who have exhausted all other financial means to save their homes. Loans would be in the form of monthly payments for mortgage costs. The concept is simple. Hardest-pressed families may require a few extra dollars to pay the mortgage until the economy brightens and they can return to work. Mortgage assistance would free up other household funds for other expenses, i.e., medical, food, car payments, etc.

Staff is currently gathering information to quantify the costs of the program and attempt to identify a funding source. But the costs could be considerable. Currently, there are 274,000 displaced workers who have exhausted their unemployment benefits in New Jersey. Pennsylvania, which has a similar program, funds the program through general appropriation.

### Expand Economic Development Opportunities in Trade and Transportation

#### Proposal: Endorse Expanded Access to Newark International Airport

The marketplace for New Jersey-based businesses is no longer just regional or national but is international in scope. The State must continue to identify key infrastructure investments which will support a strong role for New Jersey in national and international trade.

The \$3 passenger fee which the Port Authority plans to implement at Newark Airport will provide nearly \$500 million over the next 10 years for key airport/transportation access improvements that will stimulate economic growth surrounding the airport and continue to improve the position of New Jersey's premier airport in the global market. In addition, the \$500 million investment translates into a minimum of 11,500 jobs.

Centers and Extension Centers, its colleges and universities, the federal Laboratory Network, and all other sources within and outside the state.

The initial effort towards this goal would be to establish a Technology Transfer Network serving the state's small and medium manufacturers in targeted industries such as textiles, apparel, metalworking, electronics and plastics processing. The hub of this Network would be the Advanced Technology Center for Manufacturing Systems at N.J.I.T. Three regional Service Centers would be located near concentrations of industries. Where appropriate, community colleges, Vo-Tec schools or Small Business Development Corporations would be used as sites for the Service Centers. This would be viewed as the first phase or pilot for the development of a broader Technology Transfer Network.

It is estimated that the cost to set up this Network at three regional sites would be approximately \$750,000 in FY 93. In addition, federal seed money would be sought to supplement the state appropriation.

#### **Encourage New Business Ventures**

##### **Proposal: Create a Financing Program for New Businesses**

The EDA in concert with the Commerce Department can establish a capital fund to finance the initial start up costs for new companies. The fund can invest in businesses in New Jersey that have the most potential for creating jobs and stimulating the economic growth of the State. It is estimated that a \$15 million fund can be created using \$2.5 million in EDA funds and \$12.5 million from private sector investors. This Fund would generate a minimum of 600 jobs in new start-up industries.