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## Economy to remain Job No. 1 in 2009

Corzine asks Obama for help

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New Jersey's power to forcefully pull the economy out of its doldrums seemed to fade away in 2008 as tax revenue dwindled month after month.

A tax rebate to put money into consumers' pockets? How about a windfall to universities to develop the next cutting-edge technology? Both became less likely.

"We went into the year in desperate shape and came out a complete basket case," Joel Naroff, an economist with Cherry Hill-based TD Bank, said.

New Jersey's persistent budget crunch has only deepened under the strain of a faltering economy, making revenue that could be used to prop up the economy hard to find.

Gov. Jon S. Corzine and legislators won praise for an economic stimulus package. But some said those measures are modest. Meanwhile, the economy is deteriorating, the state is running out of bullets, and Corzine has been left to make a plea to the incoming Obama administration for help.

"The governor has said — and we agree — that the economy is priority one, two and three," said Philip Kirschner, president of the New Jersey Business and Industry Association, a business lobby group. "And I think that will be true through next year."

New Jersey's potential to act boldly is constrained, experts said. It annually faces the prospect of a budget deficit. But rising unemployment and falling consumer spending are making the shortfall this year more pronounced.

The state through November fell \$459 million short of projections for its nearly \$33 billion, fiscal 2009 budget.

Next year? "We have enormous challenges to try to fit within a \$31.5 billion budget, a \$30 billion budget, and it is not going to come easily," Corzine said at a recent New Jersey Business and Industry Association conference.

Corzine and the Legislature this fall quickly enacted a series of bills aimed at spurring economic growth. The state offered tax incentives to employers who make capital investments and hire workers. It extended short-term loan guarantees for small businesses. And it gave businesses more time to deduct an annual operating loss from their taxes.

But New Jersey's labor market this year is on pace to turn in its worst performance since 1991. And its labor market next year could be even worse as the state's once-strong financial services industry restructures, Rutgers University economist James W. Hughes said.

Not every idea to improve the economy is expensive. Business groups continue to call on elected officials to make the state less costly.

Kirschner, for example, said the state should lower fees on energy bills and ease restrictions on the number of procedures and illnesses that health insurers are required to provide.

He also renewed what has become an annual call for regulatory reform. The state in 2008 passed a law that allows developers to revive expired permits that had been approved. And a Department of Environmental Protection task force listed dozens of ideas to make the permit process more efficient.

But construction industry officials say those changes have yet to take hold.

"They've been talking about doing this, but it just doesn't happen," said Lee Webb, president of FWH Associates, an engineering and surveying firm in Toms River.

With tax revenue from income, retail sales, real estate sales and corporate profits fading, New Jersey is looking to Washington for help. Corzine, in an essay in the Washington Post last week, called on the incoming Obama administration to funnel \$1 trillion to the states.

If distributed by population, New Jersey would receive a whopping \$30 billion, at least part of which could be used for transportation and energy projects that could make the state more competitive and create jobs, Rutgers economist Joseph J. Seneca said.

But simply accepting a check wouldn't be enough to prevent an even deeper recession, Seneca said.

"The first part is, spend it quickly, when the economy needs it most," Seneca said. "The second part is, spend it well. You want to be able to spend it on things that will make a permanent difference. Rather than having an immediate impact, you want to make sure you've gotten good value and improve New Jersey's competitive position."