

Interview with Caren Franzini

With Rick Sinding
September 2, 2015

Selected Excerpts

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Full Interview

Rick Sinding: Hello. I'm Rick Sinding. It's Wednesday, September 2nd, 2015, here at the Eagleton Institute of Politics on the campus of Rutgers University. With us today for the Center on the American Governor is Caren Franzini, who served for more than 20 years in public life in New Jersey, the last 18 of them as a Chief Executive Officer of the State Economic Development Authority, a period spanning the administrations of five governors and a couple of acting governors, as well. Caren, welcome to Eagleton.

Caren Franzini: Thank you for having me here.

Rick Sinding: Let's talk a little bit about your life before government. Where did you grow up? Where did you go to school? Where did you start your career? How did you get to the point where you ultimately came into New Jersey state government?

Caren Franzini: Well, it all starts in Atlantic City, which is where everything should start. I grew up in Atlantic City, New Jersey, on top of my parents' clothing store. It actually was a clothing store owned by my parents and my aunt and uncle, and so I grew up in a family-owned business with an apartment of us, my aunt and uncle, and my grandparents. So, I learned very early on a couple things. One, to get anything done, you have to negotiate and work around a lot of people.

Rick Sinding: Especially if it's family, right?

Caren Franzini: Especially if it's family. And when you have grandparents, too, they add a whole other dynamic. But also when I was growing up it was in the early '60s and my entire neighborhood got demolished with urban renewal. So, I lived through it firsthand—from the end of my block down to the waterfront, the whole neighborhood was gone. And kind of subliminally, who knew when I was five years old that that would have an impact on me, but I guess it really did, because I saw all the ways not to do urban economic development, and it was a major impact on me and my life. After college, I ended up working in Philadelphia in urban neighborhoods.

Rick Sinding: And college was Penn?

Caren Franzini: College at Penn and worked in neighborhoods in Philadelphia and then realized to get things done, I had to get another degree and law school was three years and business school was two years, so I opted for business school. And after business school, I worked at the Port Authority of New York and New Jersey.

Rick Sinding: How did that come about?

Caren Franzini: They had just started—it was in the early '80s, and it was a time when investment banking firms were growing like mad and they were growing their public finance groups. And so, I did a lot of talking to them, but then all of a sudden, I met the Port Authority and they were just creating a program for business school grads. They had a program, a long-standing program for graduates in public management but never in business school, so I decided I wanted to be the guinea pig and be the first one through their program. And it was a great experience, combining my interest in public finance and development. And at the time, the Port Authority was led by Peter Goldmark, and if you are at all interested in urban studies, which I was as an undergrad, he was the guy to watch and to work for, although I didn't work for him directly at that young stage, but the institution was really dynamic. I was there for a few years and then in Governor Kean's second term in New Jersey, had an opportunity to join his treasurer at the time, [Feather O'Connor Houston](#). She was looking to form a team of people in her administration and looking for someone who was interested in real estate and public

finance and all those areas that I loved. So, I joined her in Governor Kean's second term, which is how I got to Trenton.

Rick Sinding: Okay. So, you are now in the State Treasury Department.

Caren Franzini: I'm now in the State Treasury Department working a lot with leases. Governor Kean's second term, there was a whole focus with Feather leading the charge on consolidating state leases in urban centers. And we had a whole strategy of working on consolidating leases from the suburbs to Trenton, to Newark, and to Camden. It was a great program I was able to work with her on.

Rick Sinding: This would be taking the agencies and offices that were in outlying areas and bringing them into those cities?

Caren Franzini: Exactly. There were leases that were expiring, so it did a whole analysis of all the leases that were expiring in the suburbs with a focus on: how do we revive cities? We need to lease space anyway, so why not get vacant buildings converted? The Building Authority was also under Treasury, was very focused on building new facilities in downtown Trenton, and so they built three new office buildings right in the downtown, as well.

Rick Sinding: These are the ones on West State Street.

Caren Franzini: One is called Roebing Complex on State Street. Some other buildings were done by developers, but they were able to build the buildings on State Street because of the commitment from state leases.

Rick Sinding: And then the agencies moved from, what, from Hamilton Township or Ewing or some surrounding town back into Trenton?

Caren Franzini: Exactly. And so, I worked with her on that and other initiatives, and one of the things I was able to do—the State Treasurer sits on lots of boards, and the State Treasurer can't be at every single board meeting, so they would have designees, and I was a designee for the New Jersey Economic Development Authority. And I got to know that organization while sitting as the Treasurer's representative on the board. And when, after Governor Kean—it was his second term—left, and Governor Florio was elected, a new team came into the Governor's Office, into the Treasurer's Office, and I was asked to stay. I never viewed myself as a political person. I was there because my background was in finance and economics.

Rick Sinding: But you were not a civil servant. You served at the pleasure of the governor.

Caren Franzini: Served at the pleasure of the governor, so I could have definitely been asked to leave at that point in time but was not asked to leave. And at the same time, Georg Zoffinger was appointed the head of the Commerce Department. He was—the Economic Development Authority (EDA), they knew at that point in time, interest rates are really high, unemployment was high, jobs was a top priority for the governor. We really focused on the EDA, reenergizing the organization to create some new financing programs. So, what happened at the time was the governor asked a guy named Tony Coscia, who is a very committed public servant in his spare time when he's not running his law practice--

Rick Sinding: <laughs> Which he doesn't seem to be doing very much of these days.

Caren Franzini: He's still busy in his law practice, but he, as you know, went on to become the Chairman of the Port Authority and is currently the Chairman of Amtrak, but at the time, Tony was asked-- Tony volunteered to take a leave of absence from his law practice to run the EDA and to turn it around. And--

Rick Sinding: Was that a specific initiative of the Florio administration to take the EDA and move it in a different direction or just do something different with it?

Caren Franzini: Absolutely. It was at a time when there was a change in federal law regarding the issuance of taxes and bonds, which made it very limiting as to businesses being able to access a line of capital. The federal government had changed the law, so you could no longer issue taxes and bonds for business. Interest rates were very high. The banks weren't lending money. It was a key time to focus on how to handle this tough situation. And the governor wanted to bring on board someone who would understand the business community, someone who could understand banking. So, here you have George Zoffinger, who comes from the whole banking environment, leading the Commerce Commission, and George asked Tony to take this leave of absence to run EDA. But the one thing Tony understood is that he didn't know anything about Trenton. He didn't know anything about how organizations work within Trenton, state government—that really wasn't his interest. But he knew for any kind of agency to work, you had to have an inside and an outside person. I met Tony through George, and they asked me to come on board and to be Tony's right-hand person to kind of run the day-to-day things at EDA while Tony was really rethinking the whole organization and all its financing products.

Rick Sinding: Did Tony hire you, or did Governor Florio appoint you? Did Doug Berman, the State Treasurer, have to give his permission for you to transfer over to EDA?

Caren Franzini: All that got worked out.

Rick Sinding: Okay. <laughs>

Caren Franzini: Between Doug and George talking to each other and Tony, it was—the funny story that Tony tells me is that when he brought me on board, I at the time was a registered Republican. And the reason I was a registered Republican is that my father was involved in politics in Atlantic County and he was a county freeholder. And so, no matter where I lived, I did an absentee ballot to always vote for my father, of course. I never gave much thought as a, you know, 20-year-old, mid-twenties, about my party. It was about my dad. And I had to support him, of course. And when I moved from—I was living at the time in Philadelphia, and I moved to Trenton to work in the Trenton area, I realized I had never changed my registration in New Jersey. So, Tony went to hire me and he talked to a number of people about hiring me and they said, "Why are we hiring a registered Republican in this key position?" And I realized, well, I'm really—I'm not all about the politics. I'm all about my job. And so at that point, I changed to be an Independent, and from then on, I was always looked at as the nature of my background and my professional experience in economic development and not a political party. I've been blessed in my whole career in Trenton was to really be looked at that way.

Rick Sinding: Well, and you've succeeded in going back and forth between a Democrat, Republican, Democrat, Republican administration, so obviously that—

Caren Franzini: So, it worked out okay.

Rick Sinding: And let's talk a little bit about how the EDA is structured. On the EDA website, it says the Economic Development Authority was created in 1953. I'm not quite sure why it says that, because as I understand it and from Governor Brendan Byrne's biography, he says that it was founded by a bill that his administration crafted in 1974. So, which is it?

Caren Franzini: <laughs> It is 1974.

Rick Sinding: Okay. All right.

Caren Franzini: It was Governor Byrne who created it. The first Executive Director was Bob Powell, who went on to become a very—

Rick Sinding: Former neighbor of mine at Princeton.

Caren Franzini: And a great person to start an organization, because he's a developer and really understood what was needed from the business community and the development community and at first was actually associated—was a part of the Department of Labor and then, when the Department of Commerce was

created, then it became kind of the financing arm for the State Commerce Department.

Rick Sinding: Governor Byrne's biography, again, refers to it as a "quasi-autonomous agency." The EDA's website refers to it as an "independent agency." Is it quasi-autonomous in the sense that it's in but not of a department? Or is it truly independent?

Caren Franzini: It's quasi. It's currently in but not of the Department of Treasury.

Rick Sinding: And is that because Commerce has ceased to exist or is no longer functional as a department or how did that work?

Caren Franzini: Yeah, that happened in, I believe, this administration or the previous. In the Corzine administration it occurred. And it really became just a function of the Commerce Department not being needed anymore, and there were some other entities that were created to form, take over those functions of the Commerce Department.

Rick Sinding: Did this make any practical difference in terms of how it functioned?

Caren Franzini: Not really. The independent part is that the EDA is not part of the state budget. So, EDA has to think like a business but with a public-sector motive.

Rick Sinding: So, where does EDA's money come from, bonding?

Caren Franzini: It comes from fees that it charged, from interest earnings, from development of that real estate it buys and sells and hopefully makes profits, from investments that it makes. So, it has to be self-sufficient, which makes it think like a business, which is a really good way of organizing an organization. Because you're dealing with the business community, you very much relate. We had to ensure we couldn't hire more people if we couldn't afford to pay for them. We had to ensure that every program that we instituted made sense. How did we operate and run it, because at the end of the day, if we didn't have enough money, well, we had to look for a more efficient way to run our operations.

Rick Sinding: So, you were a state employee.

Caren Franzini: No.

Rick Sinding: No?

Caren Franzini: I was a state employee when I was in Treasury.

Rick Sinding: Ah, but when you went to EDA, you were no longer a state employee?

Caren Franzini: No longer a state employee.

Rick Sinding: So, you weren't in the state pension system or any of that sort of thing?

Caren Franzini: The EDA does have access to the state pension system and the state health-benefits system, but we were employees of the EDA, so that's why it's quasi-governmental.

Rick Sinding: I see.

Caren Franzini: So, you're quasi-governmental, but you're in the state, independent that you're not part of the state budget. The other quasi-governmental aspect is the governor has the right to veto the minutes of the board. The governor also appoints the board members.

Rick Sinding: All of them?

Caren Franzini: No, some are direct appointments by the governor. Others are with the recommendation of the Senate. So, that comes from a both recommendations from the legislature, direct appointments, and others are cabinet heads.

Rick Sinding: Okay, those are ex officio.

Caren Franzini: Ex officio members.

Rick Sinding: Are the gubernatorial appointments subject to advice and consent of the Senate, or are they—

Caren Franzini: Direct.

Rick Sinding: They are direct. Okay.

Caren Franzini: Yes.

Rick Sinding: How many of them are there?

Caren Franzini: Off the top of my head, I don't remember.

Rick Sinding: <laughs> Roughly. Is it a huge board or a small board?

Caren Franzini: Oh. The board is around, I think around 12 members, and it—the board has historically always had a great balance of the right cabinet officials, be it Department of Treasury, Labor, DEP—which is important for any kind of business and development in New Jersey. At the same time, the chairs that I worked under have been great business leaders in New Jersey. I was fortunate only to have three chairs in my 20-year tender. And from Tony Coscia to Al Koeppel to [Carl Van Horn](#) and then to Al Koeppel a second time. So, I was very fortunate to have a great Chair of the Board. And the chairmen ran the board meetings, and the staff are all professionals. The staff are former bankers, former real estate people, finance, IT, and just a great group of people.

Rick Sinding: How large was the staff at its height?

Caren Franzini: So, at one point, it was at 150 people. It was kind of on average. It grew tremendously for a short period of time. We ran the school construction program under Governor Whitman, and our staff exploded. And then, under Governor McGreevey, the School Development Authority was created, and all those functions went to that new authority.

Rick Sinding: So, let's talk now. You were appointed the CEO on the last day of Jim Florio's administration, the first day of Christie Whitman's administration.

Caren Franzini: Yes.

Rick Sinding: Give us a sense, because you had worked as the Deputy Director for all four years of the Florio administration. Did you have any sense from that vantage point of how much or how little Florio as a governor personally involved himself or was interested in the activities of the agency?

Caren Franzini: I came in with Tony Coscia and Tony was really looked at with George to be—the governor asked the two of them, "Lead. We need a jobs initiative." The Treasurer, Doug Berman, was very committed to it. [Rick Wright](#) was in the Treasurer's office at that time, very committed to it. So, you had a group of people that were very focused. The governor had to do something about jobs. I mean, unemployment was very high. Interest rates were very high. And, in fact, in the governor's second State of the State speech, he said jobs was his number-one priority. And we were asked and we created something very creative called the Economic Recovery Fund. It was ingenious. And I give Tony a lot of credit. I give the governor credit for being bullish and standing up in front of the legislature and saying, "We need you to pass this law." And it was a \$200-million program that was funded through a rental arrangement of an increase in rent in the World Trade Center. When the Port Authority left the World Trade Center, because it was such a popular office building and it went out into the suburbs, they—the rent was, let's say, \$40 a square foot in the World Trade Center and rent in other

neighborhoods they left was \$20 a square foot. That difference was available to the two states. It was an agreement the Port Authority made with New York and New Jersey. New York at the time did a \$200-million bond issue and plugged its budget. In New Jersey, the governor said, "Although, you know, we could use that money to plug our budget, I'm asking you to fund this Economy Recovery Initiative." And so, the governor was very involved. He was pushing it. This was his agenda and it got passed and that's why we have an expansion at Atlantic City Airport. That's why we have the Newark Performing Arts Center. That's why we have new initiatives in Camden and Trenton. It was all focused around infrastructure, long-term investments for New Jersey.

Rick Sinding: Why did it need a special fund? Why couldn't it just go into an EDA pot and be set out accordingly?

Caren Franzini: Because the money was coming in over years, over 30 years, so we issued bonds.

Rick Sinding: Ah, I see.

Caren Franzini: So, we issued bonds, and the debt service on the bonds was paid for from this commitment from the Port Authority to make these payments to both states over 30 years.

Rick Sinding: Over 30 years. The EDA does not itself issue bonds?

Caren Franzini: We did, yes. The EDA does issue bonds, and we issued those bonds.

Rick Sinding: Issued those-- oh, wait a minute. I'm confused. <laughs>

Caren Franzini: Sorry.

Rick Sinding: Yeah, you issued those bonds with the proceeds coming from that particular fund.

Caren Franzini: Exactly.

Rick Sinding: I see. But does the EDA in and of itself have the authority to simply bond whenever it feels like it, or does it have to go to the legislature for that approval?

Caren Franzini: It can issue bonds as long as it has the cash flow to—as long as it has a revenue source to pay off the bonds. Most of the bonds that EDA issue for public purposes, state purposes, were based on legislation.

Rick Sinding: I see. And that's because there's a specific revenue stream coming in to support it.

Caren Franzini: Exactly.

Rick Sinding: All right, so, you move now from Florio to Whitman.

Caren Franzini: Yes.

Rick Sinding: Let's talk about the, I was going to say eight years, but six and a half years or so of Christie Whitman's administration. Were there any fundamental changes in the way in which EDA functioned moving from Florio to Whitman?

Caren Franzini: The big change—so, Governor Whitman had a very dynamic Commerce Secretary, kind of like the dynamic George Zoffinger. We went to Gil Medina. And Gil to me was a fantastic person to work with, as well. He's a lawyer and a CPA and is a very smart guy and full of energy. And at that time was really the beginning of the incentives. So, Gil worked with the governor and the treasurer and everyone agreed to create a new incentive program to incent companies to move to New Jersey. And it's called-- the acronym is called BEIP. It's known as a Business Employment Incentive Program. And that was created in the beginning part of Governor Whitman's tenure as a tool to attract companies here. And at the time, it was ingenious, because other states were giving out tax credits. This was actually a grant. And the philosophy behind the program, and Gil as being a CPA would say that a company had to save up, but for this incentive, I would never expand my company in New Jersey. And so, treasurer, we're getting all new tax revenues. And so, what we should do is we're getting all new income taxes from all these new employees. We should give it a rebate back to the company of a percentage of those new taxes that we get in. And that has how the BEIP program worked and operated. And so, that was—a big difference was, one, the beginning of the incentive programs in New Jersey. The other big initiative was all about the growth of technology companies. So, here we are in the mid-nineties now, and the growth of technology companies, biotech is just starting to happen. And so, there were a lot of-- the governor had initiatives around technology and around urban issues. She created an Urban Coordinating Council. So, those were really, in my mind, at the EDA three things that we were very focused on, was those three areas.

Rick Sinding: Now, BEIP is sort of the beginning of this kind of arms-race mentality that has developed among all the states of fighting with one another to capture a company that threatens to move to another state or says, "How much will you give me to come to your state?" How much of that has ended up, in your judgment, being productive, and how much ends up being counterproductive?

Caren Franzini: It's a question I-- it's the right question, a question to struggle with. We all need to disarm. We all need to disarm globally.

Rick Sinding: Yeah, but you can't unilaterally.

Caren Franzini: Exactly, and that really is the problem. We lost the manufacturer of solar panels in New Jersey, several companies, because China subsidized the manufacturers' solar panels.

Rick Sinding: But if it wasn't China, it could have been South Carolina.

Caren Franzini: It could be. So, it really is a global disarmament, which I don't think is going to happen. So, without it happening, how do you balance the giving away of incentives to businesses to locate in your state? What's more important? Do we have lower property taxes? Do we have lower corporate income taxes? And so, I think the incentive should be the last piece that's given out. And it, to be honest, the beginning part of the Christie administration, too, was, how do we create a culture of less regulation, of lower property taxes to make it more attractive for businesses and people to stay in New Jersey? That's critically important, and incentives are like the icing on the cake. And so, when you talk to site relocation people, they're looking for all those other things first. Incentives become that last thing to say okay. And incentives, I think, have been used well in some circumstances to make a difference. We're seeing a resurgence in Camden. Quite frankly, I don't know if Camden today-- a lot of other things had happened, though. We have a new police department, a countywide force. We have a new Superintendent of Education. A lot of other things had to be in place, working well. Incentives are that last piece, that say, "okay, we really need something to, short-term, over the next five years." Put a lot of incentives in and then we should have the city hopefully start to recover.

Rick Sinding: These incentives, or the incentive program that began in the Whitman administration, every governor since then has used incentives in one form or another as a means of trying to either retain or attract new industry or business to come to New Jersey.

Caren Franzini: Absolutely.

Rick Sinding: Was the Whitman administration particularly active in this regard, or would you say that McGreevey and Corzine and Christie were equally active? Could you compare and contrast the way in which they dealt with this particular tool?

Caren Franzini: I think each one, based on policy considerations, started using incentives to achieve different policy goals. And so, I think they were important to

all the administrations. Governor Corzine created the Urban Hub Tax Credit Program to really focus on urban development. Governor Christie came in and said, "We have all these different incentive programs. Let's consolidate them into this Grow New Jersey program." So, they all have utilized them. They've changed the focus of the incentives based on policy considerations but realized that we're in this competition. And I think the importance is, how do you utilize the incentive to achieve your policy goals? And the EDA has, how best do you manage them? And so, EDA has also been at the table to say, hey, we think we need to tighten them up. We think we need to control them better, and here are ideas. But it takes-- the programs are created by the legislature and approved by the governor. And so, it really is a joint effort to ensure that if people don't think they're right, then we need to change the law to make them targeted to what the legislature and the governor think is the right thing to do.

Rick Sinding: Let's talk a little bit about maybe if there were any fundamental shifts during Donny DiFrancesco's acting governorship. Was this simply a carrying on of the same policies that the Whitman administration had established?

Caren Franzini: Yeah, he-- and he was, again, another person very focused on business and ensuring that we didn't miss a beat. So, during his term, it was a continuation of the policies.

Rick Sinding: Okay, and then comes McGreevey.

Caren Franzini: Yes.

Rick Sinding: How about there? I mean, he had a different view of how government should function from the way in which Whitman did. Did that manifest itself in some ways in changes to EDA policy?

Caren Franzini: Well, a couple things. One is he created a commission to look at the BEIP program, because here we now have McGreevey. He now has a budget problem and came to a point of, "I have to fund a lot of things important to me and I have this BEIP program. I don't want to fund it." And it created--

Rick Sinding: The state was funding it? This was not self-funded by EDA?

Caren Franzini: No, the state funds, because the way the BEIP program works, again, is if you're a company and you have a hundred new employees, those hundred new employees, let's say, pay \$100,000 a year in income taxes to New Jersey. The state would have reimbursed you 80 percent of that, up to 80, or \$80,000 a year. And it's a program EDA managed jointly with the Department of Treasury with Taxation, because Taxation would actually look at all the numbers to make sure all those income taxes were actually paid.

Rick Sinding: Really? So, wow, I didn't realize that. So, Taxation would, say, you brought a company in through the BEIP program--

Caren Franzini: Right.

Rick Sinding: --and the company at the end of the year would say, "We employ X number of people," and Taxation would actually look at the income tax records of those specific employees?

Caren Franzini: No, they would look at the records of the company to ensure that the company actually had--

Rick Sinding: Oh, I see. They'd see the payroll.

Caren Franzini: See the payroll. So, it wasn't-- they weren't looking to the personal income taxes of that. They were looking to the payroll to ensure companies-- you said you were going to have a hundred jobs? You verify. You have a report you send to EDA. Well, then Taxation verifies it all.

Rick Sinding: But how did you know that all of those employees lived in New Jersey and were paying taxes to New Jersey?

Caren Franzini: It actually doesn't. Every state besides Pennsylvania, it doesn't matter, because you pay the taxes where you work, not where you live, except for Pennsylvania, and the law was actually changed to allow for even if you lived in Pennsylvania the company could still get the benefit.

Rick Sinding: Okay. All right. I'm sorry. We got sidetracked there. All right. So, McGreevey needs to--

Caren Franzini: So, McGreevey needs to balance the budget and he decides one way to balance this is not to make a BEIP payment and the business community went a little crazy. And so he formed a commission of industry leaders. In fact, even Gil Medina was on that commission, and it was really good, because it looked at the programs, at what works and what doesn't work from both a business and a policy perspective. And there were a lot of changes made to the program to put caps around it. There were no caps on the program per company. There were no limitations on the program in the law. So it wasn't as targeted, you know. It became a more targeted program from a policy perspective. Financially I think it became a stronger program, having the caps on it. So, there are a lot of changes made on the program, and I give the governor credit for putting together a really good commission that worked really well and really hard to make it business-friendly yet at the same time fiscally sensitive.

Rick Sinding: Who were the key people in the McGreevey administration that you dealt with, Treasury and Commerce?

Caren Franzini: Yes. Treasury was really, I think under the McGreevey administration, Treasury was very strong.

Rick Sinding: That was [John] McCormac.

Caren Franzini: Yes. And he was a very active treasurer, very involved in business development, so he was-- you know, since this really was a Treasury impact on the budget, he was a tremendous driver around that.

Rick Sinding: Okay, now comes [Dick Codey](#), who had been in the Senate and is now Acting Governor and spends, what, the next year and a half, almost two years as Acting Governor. He must have had a key interest in this. And actually, this-- let's talk for a minute about Codey as Acting Governor, but then let's talk a little bit about the history of the relationship between EDA and the legislature in general. Let's start with Codey, if you will.

Caren Franzini: So, Codey did come in very strongly, and for us at EDA-- we had a strong working relationship, a positive relationship with the treasurer, so the governor really looked to the treasurer to ensure that his focus on jobs and economic development was being met. So, in a circular way, we continued to work with John McCormac, who continued to be where the governor really looked to focus his energies to ensure that we were meeting kind of this job-- continued to be a job mandate, all about preserving jobs in the state.

Rick Sinding: Fundamentally the EDA mandate is jobs, is it not?

Caren Franzini: I mean, that's a-- every governor has to like the EDA, because our focus is all about retaining, helping companies to retain and grow jobs in New Jersey. And so that's what our mandate is and to be fiscally sound and astute in all financial decisions that the EDA has to make and to be held accountable for those fiscal analyses. And I will tell you, every governor I've worked for, I wouldn't have stayed at the EDA if I was asked otherwise, never got in that way, never. I would have left.

Rick Sinding: Actually, that would-- one of my questions was going to be, how much influence/interference did you get from the front office? You've just answered that one. How about from the legislature?

Caren Franzini: The same thing from the legislature. By not being a political appointment per se of a party but being appointed as an administrator or an organization with a background and history, I had a very strong connection to both Republican and Democrats, leaders in the legislature. I felt very fortunate. I found

out early on in my career, and it was something I learned from my father, who was involved in politics, to ask other people their advice. And there are a lot of smart people in the legislature who care passionately about positions. And so, it was my job, just like any other business constituent. I mean, we would constantly go around to the business community asking, what's important, what's not working, what do you need the State to do? The same thing with the legislature. And so, we built relationships that, you know, they came to respect the EDA as this fiscal organization, because we also respected them and their roles. And I feel very fortunate personally that when I appeared before the legislature, I was always treated very professionally and--

Rick Sinding: You didn't have legislators cowering you afterward with a pet project or two that they were--

Caren Franzini: I would tell them all that we would look at it like we would look at any other project that would come before the EDA. And that's what they would want me to do, I would assume.

Rick Sinding: Now, Jon Corzine comes in to office with a background in finance.

Caren Franzini: Yes.

Rick Sinding: Totally different from any of his predecessors. Did that make a distinct difference in terms of how the EDA functioned or your relationship with the front office?

Caren Franzini: Actually, he was the first governor who I interviewed with who asked me about rates of return, what did I expect our bottom line to be, how do we price our products, so it was a very different interview than my meetings with the other governors.

Rick Sinding: Did you have--

Caren Franzini: And I didn't have meetings with all the other governors.

Rick Sinding: I was going to ask you, yeah. Were you interviewed or not interviewed by--

Caren Franzini: No, I always submitted my resignation to say I serve at the pleasure-- that's with the EDA, you know-- I didn't formally submit my-- I would tell people, if you're ready to bring someone new in, that's fine. I will leave.

Rick Sinding: This, I assume, usually happened during transitions.

Caren Franzini: Yes, I would always say to someone on the transition team, "If you want to appoint someone else, just let me know. I'll put together the--" because I really wanted to ensure that whoever was the governor totally trusted and respected the person who was there. And if they wanted to bring in someone that was their person, I respected that and I was always willing to leave, because I could do something else.

Rick Sinding: But Corzine is the first one evidently who took you up on at least sitting down with him.

Caren Franzini: Yes, he did, and it was a very interesting meeting, a very good meeting, and he asked some great questions about the financial stability of the EDA and how we were organized financially and wanted to understand all that.

Rick Sinding: And you obviously answered to his satisfaction.

Caren Franzini: I guess I did okay at the test.

Rick Sinding: And, again, during that four years, can you recall some of the either changes that took place in policy or some of the highlights or some of the projects that you were involved in?

Caren Franzini: He created something through executive order called the Office of Economic Growth, which was a big change. He brought in someone he worked with at Goldman Sachs, Gary Rose. He felt economic development was so important that he really wanted to have an office in the Governor's Office that really focused on economic development and so, hence, created this Office of Economic Development that was doing research-based-- that was looking at, what are the trends, where should we be investing our state dollars. It still looked at the EDA to be the financing arm.

Rick Sinding: I was going to say, did that duplicate some of the activity that you were doing at EDA?

Caren Franzini: It was more-- what was decided towards the end of it was that the Commerce Department in and of itself had some of those functions. They were really divvied up between functions that were now housed at the Office of Economic Growth. Some were actually with the Department of Labor, because they did a lot of job-training grants. And then the third area was with the EDA. So, all the business development officers at the Department of Commerce were transferred to the EDA and they became part of our team. And so, that was a big kind of structural change under Governor Corzine. He also created this Urban Hub Tax Credit Program, so we went from the BEIP, which was still in existence, but that was a cash grant to a tax-credit program, very urban-based, very based on large-

scale projects, because the policy was if we're going to turn our urban centers around, if you have a major capital investment—at the time it was \$75 million—you're not going to leave. You had the buildings there. And so, he, through the Office of Economic Growth, got the legislation created to create the Urban Hub Tax Credit Program.

Rick Sinding: This was also meant to be a transit-oriented development.

Caren Franzini: Exactly. It was very focused on transit-oriented development.

Rick Sinding: So, there was a smart growth principle involved.

Caren Franzini: It really was. It was. And we see a lot of great projects here in New Brunswick, in Newark, in Jersey City. The issue was the program was very large-- \$75 million. It was hard for towns in Camden and Trenton and South Jersey and even Patterson, to take advantage of the program, because there were nine urban hub centers. But for the smaller cities, smaller urban, \$75 million was too big. So, we didn't see as much activity in those areas. The governor focused on creating this public/private partnership on universities and created a financing mechanism where private developers could build on public property, on State property, as long as the process went through an EDA approval process. And so, we saw Montclair do tremendous growth with their dorms, bringing a private developer onto a public university, and that was not allowed before. So, those were some of the initiatives under the governor.

Rick Sinding: Okay. And now we get to Chris Christie, and he is elected and your term with him overlaps by how much? You retired in 2012?

Caren Franzini: Yes, in 2012.

Rick Sinding: Okay, so, roughly three years, or two years, I guess, because he was elected in 2009 and--

Caren Franzini: 2009, so I worked through all of, right, '10, '11, and most of '12. So, it's almost three years.

Rick Sinding: He has a different management style from his predecessors. Again, how did that manifest itself in terms of your interactions?

Caren Franzini: Well, I think for me personally, one of the great things that happened is that he decided to have Al Koepp be the chairman of our board. And actually, I just want to note that under Governor Corzine, I worked with Carl Van Horn.

Rick Sinding: Who had been the chief policy person way back under Florio.

Caren Franzini: Under Florio. So, I had worked with Carl a lot, and it was great that he-- so, this whole policy bent, even with the Office of Economic Growth, was a large part, because Carl really understood how good policy leads to great economic development. You can't just come up with a program absent good policy and thinking it through. And Carl was great at that, at applied thinking, which I really admire. And so, we then go from there to Governor Christie, and he appointed-- Al was on the governor's transition team and he asked Al to serve as Chair of the Board. But this time was a little different for me, because this time the governor talked about the Lieutenant Governor [Kim Guadagno] being his economic-development person. And I clearly remember walking in. It was the first week in the administration. I walked into her office. I introduced myself to her. I had not met her during the transition. And I said, "Lieutenant Governor, you know, the governor has asked you to be in charge of economic development. I," as I did all the time, "I will resign. I have no problem. I will help you through a transition. I'm committed like I was with every other governor I helped through a transition. But if you want to put in your own person, because this is your bailiwick. You're in charge of..." And she said, "No. You know, I want you to stay." And from that day forward, we worked really closely together, because the governor had decided to create something called the Partnership for Action and she was in charge of it. And the Partnership for Action was bringing together the EDA, creating something called Choose New Jersey to market the state, and--

Rick Sinding: And hiring somebody from Texas to run it.

Caren Franzini: Hired someone from Texas, but someone who had a great background in doing that kind of marketing. And what I told her and the transition team is we had this group of people from Commerce that were really business-development people, they weren't bankers, that EDA should go back into the business of being a banker. And so, she created within her office something called the Business Action Center, so all the former Commerce people went to work for the lieutenant governor in the Business Action Center. So, we, again, migrated back to kind of a semi-Commerce Department but called the Business Action Center.

Rick Sinding: So, that was the entry level for people to come in looking for incentives or for grants or for whatever assistance they could give.

Caren Franzini: Or for whatever assistance they need, because, how do you get a permanent DEP? How do I talk to my local mayor about getting a traffic stop? There's-- there's all these non-financial matters that are real important to business, and having--

Rick Sinding: But they're not in EDA's area.

Caren Franzini: They're not in EDA's are and it really-- someone could call up and say, "I'm calling from the lieutenant governor's office, and we need this, your help."

Rick Sinding: Okay, and now it's financial and now it becomes an EDA matter?

Caren Franzini: Right, so, as soon as we became financial, we already had worked with all these business development people for four years and they were under EDA and so when they became part of the Business Action Center, they really understood all the EDA's financing programs. So, it actually, in hindsight, you know, it was a great transition for both of us and it became a great working relationship.

Rick Sinding: Were you asked to leave, or did you resign, retire?

Caren Franzini: I, despite the rumors, retired on my own accord. And I had actually worked with Al Koepp to do a transition plan for a year. I had informed the governor probably eight months before I was going to leave. And I made a decision. When I started at the EDA, my daughter was born, my oldest of three. And she was graduating college. And I had made a personal decision when she graduated college, I was going to leave EDA. I had built a great team, and so I spent a year doing a transition without telling-- being the head of EDA, I couldn't tell my staff, really, or the legislature or anyone, because it just would have had too much disruption. But I really created a transition where it gave more authority and responsibility to people within the organization, and there's a great group of smart, dedicated people there, but had them take on more public roles, had them sit on more boards than I was on. And so, I kind of informally had them take on more responsibility over a course of time, a very planned-out, structured transition. I felt that, like any organization, after being there 20 years, they needed a new leader. And it's better for an organization, while it's strong, to have a leader take over and take it to a new way.

Rick Sinding: One of the criticisms of EDA, and we touched on it earlier, is the arms-race kind of activity-- if you look at some of the more controversial actions or controversial projects in which the EDA has been involved, some groups like New Jersey Policy Perspective have raised questions about whether the EDA is really providing an incentive or is throwing good money after bad. Let's start with Xanadu/Endcap/American Dream or whatever it's being called these days. That's been a-- that must have been a nightmare for you.

Caren Franzini: So, that was finally approved right when I was-- I think it was approved, actually, probably after I left.

Rick Sinding: The American Dream piece of it.

Caren Franzini: The American Dream. The earlier pieces, we weren't involved. We were involved very early on with some financing of that site, but then our bonds were taken out by another party. We were never involved in anything.

Rick Sinding: Oh, so, there was just the one action? You had not been--

Caren Franzini: We were involved early on in the financing of some of the development on that site, but then our bonds were taken out before any development occurred by the Environmental Infrastructure Trust, so we were out of it totally. We purposely structured our transactions so that our bonds wouldn't be spent until there was a real project. They got taken out. And then, the latest is with American Dream, and they're taking advantage of something called the Economic Redevelopment Growth Grant, which is a reimbursement of taxes. It's collected at the site.

Rick Sinding: And now, evidently, if it opens at all, it will be 2017 or something like that. Panasonic moving from Secaucus to Newark and getting a gigantic tax break to do it.

Caren Franzini: So, in all of the cases, one thing, and if I was having a conversation with Gordon MacInnes, from Public Policy, and I did, and, in fact, I brought Gordon in to talk about our incentive programs and to ask their ideas, because I think we're all in this together. So, one is there's legislation, and so to be at EDA doesn't make any sense. It's really-- you need to change law.

Rick Sinding: So, beat up the legislature instead.

Caren Franzini: I think you need to look at the law and say, "What do I want to change?" I was proud at the EDA and continue to be proud that we structured the program so not a dime of public money went out for Panasonic until the building was built. So, first of all, you have all these construction jobs. You have a building built. And Panasonic is not getting a penny. That's all there. Panasonic every year has to say that they have jobs on the site, so we're reimbursing. And Panasonic also had to show us that, at the time, that they had real offers to move to Florida, to New York, to California. Yeah, that is an arms race, and did Panasonic play us? I don't know. The CEO of Panasonic had to sign a certification that this incentive is a material factor in the decision not to go to another state.

Rick Sinding: But what does it mean to Secaucus? I mean, essentially it's another town in New Jersey that's a net loser from this.

Caren Franzini: Actually, they're not, because that building of Hartz was owned by-- Panasonic was there for 50 years. That building needed renovation, to be very honest. It was not a state-of-the-art building. It needed to be renovated. Well,

guess what? Hartz has renovated the building. They're having a new tenant move in the building. And at the time, the mayor of Secaucus was unhappy and we went and met with him—nor was Hartz happy—and we had a lot of conversations about what could be done to fill that building. So, I think in the end, that to me is actually a good story, because we now have a new building in Newark, we have a renovated building in Secaucus, and we have new tenants moving in.

Rick Sinding: I guess another question that's raised about these kinds of issues is that the original doctrine of the EDA was to help emerging small and mid-size companies in getting a foothold in New Jersey. Now, obviously Panasonic is not a small or a mid-size company. One can argue that Xanadu American Dream, these are big, big projects. Is that because the fundamental mission has changed or broadened, or is it a question of EDA just growing beyond where it began, where its mission began?

Caren Franzini: So, I think that the mission got broadened with the incentive programs, starting with the BEIP. That was really geared and focused, from a policy point of view, on how to keep corporations in New Jersey. The EDA, though, has not given up its mandate of helping small business. It continues to make small business loans. It continues to partner with New Jersey banks. And, in fact, right down the road on Route 1, there's the Commercialization Center for Innovative Technologies, which is all young biotech companies that are in an incubator, which continues to be a really important program for EDA. So, I would say its mission has been broadened. But helping-- probably the most you get, when I was at EDA, was helping the small companies and see their growth and to see a company like Chromocell, which came to New Jersey with four people and now they expanded at the Technology Center to over 100 scientists, many of whom are Rutgers Ph.D. students that work there. Those are the kind of stories you feel really good about. I feel good about Panasonic, because, guess what? When I go to downtown Newark, I see a lot of people in restaurants with Panasonic badges. They are now frequenting stores in Newark, hopefully going to the Performing Arts Center, and creating a whole-- now going into Military Park, which has been renovated, and creating a whole synergy there. So, the mission got broadened but never lost track that its core of small business is the heart of New Jersey business, and we have to keep focusing on that.

Rick Sinding: Are there other small to midsize business examples that you can think of. You mentioned a couple of them. Are there others that come to mind?

Caren Franzini: There was a-- I think part of what New Jersey does well too is help companies that come from overseas. And so, down in South Jersey-- actually it was through the Rutgers Innovation Center down there, the Food Innovation Center-- they were talking to a company from Italy, a bakery company that made lactose-free bread... yes... gluten-free. Lactose-free. Gluten-free. Sorry! Gluten-

free bread. A small company, and they tried it out through Rutgers, and ended up moving to South Jersey, just another story of, you know, probably around 50 employees, but a great home-grown connection between our state university and growing a small business in South Jersey.

Rick Sinding: How important are the universities in general in terms of this public/private partnership?

Caren Franzini: Oh, very important, and I think, actually, with the Partnership for Action that the lieutenant governor oversees, the Commission of Higher Ed was added to that a year ago, which is really important, because there's not enough formal connections. When we go out to pitch companies, it's important to have the president of Rutgers or the president of Rowan or NJIT or from our research universities to go out and pitch our state and to be part of-- and also connecting. And so, we're working with companies. How can we make sure some of the research that they're doing is with companies that we can help move to New Jersey or expand here?

Rick Sinding: I think that any viewer or reader of the transcript of this conversation is going to see the BEIP and the Office of this and the governor's that and say, "Is this just a matter of each governor coming in and reinventing the wheel," that there's, you know, this program that this governor sets up and then the next governor comes in and says, "Now I can do it better, so I'll set up this program." Are they all essentially doing the same thing wrapped around different names, or have these-- has each of these initiatives that you've mentioned been a substantially different kind of approach to economic development?

Caren Franzini: I think each has been very different, because they came from a different policy perspective. The Urban Hub Tax Credit Program was very focused on building around train stations and in urban areas and bringing big companies there. The BEIP program was corporate-centered. You look at the Jersey City waterfront, I would argue the BEIP program is the reason why, one of the reasons why, not the only. It had great infrastructure and a lot of other things. Under Governor Whitman, that program was developed to help biotech companies sell their net operating losses for cash, a very unusual program, but with a lifeline to help grow the biotech industry in New Jersey. So, I would argue they're the same-- they're different financing mechanisms, be it tax credits or grants, but they're all about what kind of jobs do we want to have in New Jersey and where do we want to locate them and what's the policy around it? So, yeah, the structure is a grant or a tax credit. It's one or the other.

Rick Sinding: And that's not going to change.

Caren Franzini: That's not going to change. What's going to change is, how much is it, where do you want to focus it, do you want to limit it? It's all the policy decisions that you make that really are a governor and a legislature coming together jointly to agree, what are our initiatives and how do we get it done?

Rick Sinding: For the last probably 10 years or more, New Jersey has had a structural budget deficit, a significant problem meeting the needs of the budget. Most of the time, it ends up being filled by not financing the state pension system properly. But there have been other gimmicks and techniques used over the years. How much has this constant difficulty of balancing the budget-- well, not how much has-- has that had any effect on EDA's ability to do its business?

Caren Franzini: Well, EDA can do its business, because, again, the EDA staff is not part of the state budget. What becomes-- a lot of the incentive programs are reimbursements from payments. So, it's when the State can't make its payments that that's an issue, not as much for EDA but for the business that may not receive their reimbursement in a timely manner.

Rick Sinding: Has that happened with some regularity?

Caren Franzini: It has happened recently, yes. And I also think it's time for the legislature and the different administrations to take a look at, do we need to cap these programs? How big is big, and how much is needed? Is it going to make a difference if a company receives 50 million or 100 million? Will it make the decision at 50? I wouldn't want to be the one to say we lost a company because we didn't give them \$51 million, but I think there needs to be a hard look on capping programs.

Rick Sinding: Because of the liability to the State?

Caren Franzini: Because of the liability to the State and also, how much is enough? And do we really need a benchmark on the level of incentives New Jersey gives to other states in the country, and are we out of sync? And I think-- and anytime, with any kind of program, after five years, you take a look at it. Is it still meeting its mandate? I mean, the BEIP program went through that. It was a great program, and the next administration came out and said, "Let's take a look at it," which was a good thing to do. And I think, you know, hopefully Governor Whitman would say, "Yeah, you know, I started it, but with anything in life, you got to relook at it." It's like running a company. A company has products to sell and Google just changed its logo and so now it has a new logo today, because it reevaluated itself and said, "We need to change our logo, we need to change our products." And I think the same thing with state incentives. They need to be evaluated, looked at, and say, "Is it still meeting its mandate, and should we make changes to it?" And

that really is something for the legislature and governor to do, because EDA administers laws.

Rick Sinding: Have you been involved since your retirement in September 2012-- that's now three years ago today or yesterday-- in giving any advice to the governor and the legislature on how they might structure these programs for the future? Have you been called upon to do this?

Caren Franzini: I haven't been called upon. No, I've given some informal advice to people who call, legislators who call when there were changes in the law, and whatever my two cents is worth. You know, again, I feel strongly that the EDA does a great job of being the fiscal monitor of programs as designed in law. And really, their policy calls for the governor and legislature to make these the programs we want to place.

Rick Sinding: What have you been doing for the last three years?

Caren Franzini: Having fun! I started my own consulting company in economic development and giving advice to the State of Rhode Island on its economic development programs with its new governor, which is a lot of fun, and working on a project in Puerto Rico and in South Jersey and working with some businesses in New Jersey on helping with their projects, as well.

Rick Sinding: But working primarily with the business community and other state or commonwealth governments.

Caren Franzini: Exactly, all in the field of economic development. I'm also on several boards, which is a lot of fun. I'm a Fellow at the Eagleton Institute, which I-

Rick Sinding: Oh, well, then I'm sorry I said, "Welcome to Eagleton."

Caren Franzini: <laughs>

Rick Sinding: What should I have asked you that I didn't. Are there any overwhelming memories or reflections that you have about your experience at EDA that you want to share with people?

Caren Franzini: I think the most important thing is I felt privileged, truly privileged to work at an organization that has a dedicated group of staff, that were like family and very conscientious, smart—made me a better person, got me to think. I always feel like it's much more important to hire people smarter than you and to learn from them. And so, I had the privilege of working with 150 people that were smarter than me that gave me ideas every day and had three great chairmen and a great board of directors. So, I feel great as an organization, and then to be

respected by a lot of governors, who could have come in, each one of them, and just say, "Thanks but no thanks." And I feel very fortunate that they wanted to keep a professional at EDA and keep me for the-- all the governors I worked for. So, each one was very different. Each one had different points of view. But for me, they treated EDA with the respect and dignity that I think it deserved.