



## Rankled by rankings

Choose N.J. leads charge to improve perception of changing business climate

April 15, 2013 3:00AM

By Jared Kaltwasser

If you want to know where New Jersey ranks in the Tax Foundation's latest State Business Tax Climate Index, don't start at the top of the page.



Tracye McDaniel led the effort to get Houston's business rankings improved while she was in Texas, and is confident New Jersey can enjoy similar success with the right effort.

Tracye McDaniel led the effort to get Houston's business rankings improved while she was in Texas, and is confident New Jersey can enjoy similar success with the right effort.

"New Jersey is virtually tied with New York for last place," said Scott Drenkard, an economist with the Washington, D.C.-based foundation. "New Jersey wiggles out just slightly, a little bit ahead" of New York.

The Tax Foundation's survey measures how taxes are structured in various states. But that's not the only list in which New Jersey scores poorly. CNBC ranked New Jersey 41st in business friendliness. Chief Executive magazine ranked New Jersey No. 45. Forbes gave the state 36th place. Thumbtack.com and the Ewing Marion Kauffman Foundation gave New Jersey a C-minus in its survey of small-business friendliness, good for 32nd overall.

It's a problem Tracye McDaniel, CEO of the economic development nonprofit Choose New Jersey, is trying to tackle head on.

"We need to spend some time working on it and developing relationships with some of the publishers and researchers of these magazines," she said. "And that's a critical point, because with that relationship, we can quickly send them information about tax changes and some of the programs we're doing that really create a pro-business environment in our state."

In recent months, McDaniel and her team have begun proactively developing those relationships. Her confidence in this strategy comes in part because she's done it before, during her tenure at the Greater Houston Partnership.

"We had some pretty poor numbers (in Houston) when I started there," she said. But after a few years, those rankings started to improve.

One of the challenges, McDaniel said, is that listmakers often change their methodology. If a state isn't aware of those changes, it's hard to put its best foot forward. Another tactic, McDaniel said, is asking those who make the lists what it would take for New Jersey to improve.

"We take that recommendation to the administration and to the legislators," she said. "And we say, 'Here's what we hear: If we did this, it could change our rankings by 10 points.'"

John Boyd Jr., principal at the Boyd Co., a Princeton-based location consultancy, said he generally discounts such lists. "When a company hires a firm like ours, it's our job to really look beyond a lot of those third-party surveys and propaganda," he said. "Because let's face it, these surveys all have an agenda."

But that doesn't mean the rankings are unimportant.

"Unfortunately, surveys do have a lot of weight," he said. "It's mostly because site-selection projects are done in-house, and primarily, the teams they're going to put together are finance guys, human resources guys and some of the real estate folks. They draw upon third-party benchmarks like some of the surveys."

McDaniel cited a survey showing 36 percent of corporate executives with site selection responsibilities indicated rankings and surveys are key influencers in their perceptions of states. Dialogue with industry peers and newspaper and magazine articles ranked higher.

Michael Egerton, senior vice president at the New Jersey State Chamber of Commerce, said he thinks the state can improve, even if things like the high cost of living are unlikely to change in northeastern states like New Jersey.

"You have criterion challenges," he said, "but I think it gives the drive to our policy makers to put New Jersey back in a position of its grandeur where it used to be, back a decade or so."

Indeed, Drenkard said the Tax Foundation's list has been used to call for tax reform here in the Garden State.

“Governor Christie cites that score just about every year in his State of the State address,” Drenkard said. Sander Daniels, co-founder of Thumbtack.com, an online local services directory, said New Jersey should also look beyond taxes, to things like regulatory red tape and licensing requirements.

“A lot of the barriers to entrance and growth can make a difference in whether you start a business at all, and can grow to the stage where you are making money,” and thus paying taxes, he said.

Daniels said some states have stringent regulations because they comply with local values, like environmental protection. But he said there are plenty of other areas where simplifying processes could be done quickly and have significant impacts.

“By increasing the consistency and reducing overlap of these, you can have just as much consumer and overall protection while making it a lot easier for these businesses to run,” he said.

Still, while positive survey marks might open doors, McDaniel said New Jersey ultimately closes deals not because of rankings, but because it can sell companies on the state's specific strengths, like a high quality of life, central location and educated work force. Still, she said, rankings are important enough to try and improve. Asked if New Jersey could aspire to top such a list, she said it doesn't hurt to try. “It's always a good thing to have a high goal or have ambition to be the best, and to be a leader in whatever subject matter you're in,” she said.

E-mail to: [melindac@njbiz.com](mailto:melindac@njbiz.com)

On Twitter: [@mcaliendo33](https://twitter.com/mcaliendo33)

[www.NJBIZ.com](http://www.NJBIZ.com)