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Amazon HQ: What will Phil Murphy mean for NJ's economy?

Michael L. Diamond - November 10, 2017

New Jersey's bid to attract Amazon's new headquarters — and any other company, for that matter — faces its first question mark: the election of Phil Murphy.



Democratic gubernatorial candidate Phil Murphy is proposing a progressive agenda that will increase taxes.

The Democrat elected governor on Tuesday made jump-starting the state's economy a priority during the campaign. But his proposals, from free community college to rebuilding NJ Transit, are running into pressure from business groups to make the state more affordable.

"I'm hopeful (the Murphy team) understands that we need to get more competitive real fast," said James Barrood, president and chief executive officer of the New Jersey Technology Council, a trade group.

Murphy's election could signal a new direction for the New Jersey economy. While the Christie administration tried to ease the tax burden on the wealthy and employers alike, Murphy said he wanted to focus on the well-being of retirees and the middle class.

It is part of a long-standing tug-of-war between conservatives and progressives, but now it is playing out with the state's economic competitiveness in the spotlight.

Lurking is Amazon, the giant internet retailer that is sifting through applications from cities and states vying to host its new headquarters and up to 50,000 workers. A decision is expected in 2018.



The New Jersey Technology Council targeted Amazon workers last week with a pitch for the company's new headquarters.

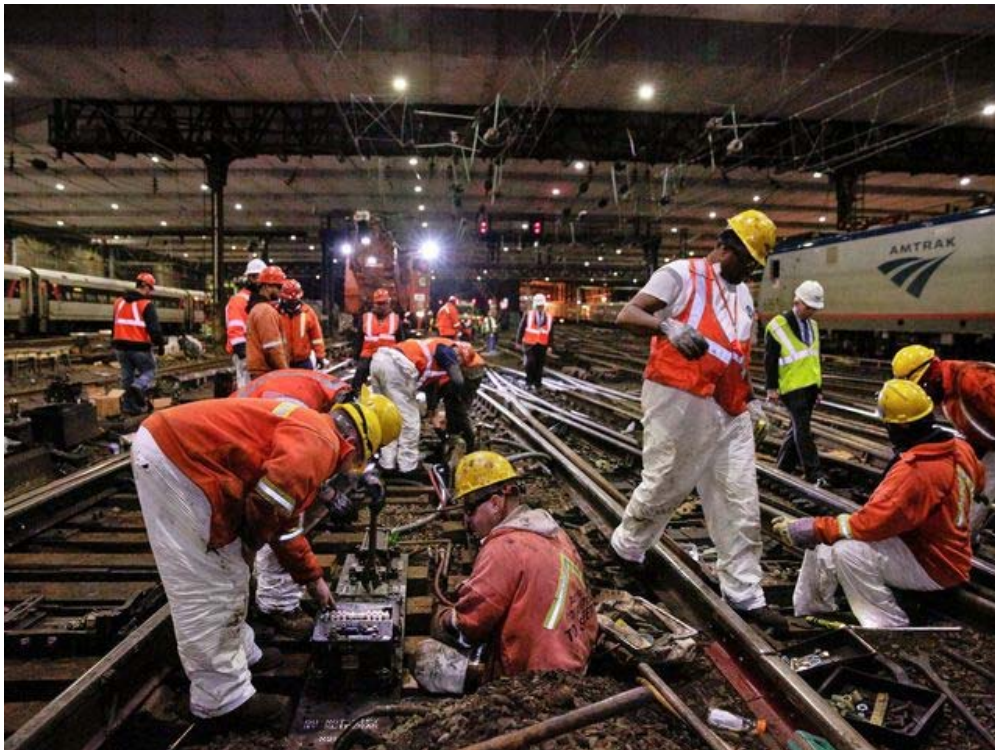
Murphy is taking over a state whose economy has more than recovered since the Great Recession and has scored wins under Christie. Its generous tax incentives have landed or retained companies like Panasonic in Newark, Subaru in Camden, and iCIMS and WorkWave in revitalized Bell Works in Holmdel.

But New Jersey's economy still lags the rest of the nation. Its economy grew 1.2 percent last year, ranking 26th. Its unemployment rate of 4.7 percent in September ranked 36th. Its job growth from October 2016 to September 2017 was 0.7 percent, ranking 39th, according to government statistics.

And New Jersey isn't faring well in Washington. Congress has introduced tax bills that would take away state and local tax deductions — a move experts say hurts households in high-tax states like New Jersey most.

The sluggish growth has prompted a group called Opportunity New Jersey, led by the New Jersey Chamber of Commerce and the New Jersey Business and Industry Association, to call on policymakers to make New Jersey more affordable and competitive.

"We are at a pivotal point in New Jersey's history," said Michele Siekerka, president and chief executive officer of the New Jersey Business and Industry Association. "We have tipped the scale on affordability. If we do not start now to address that, we don't have a sustainable business model."



Amtrak workers make repairs on railroad tracks in a tunnel at New York's Penn Station.

What can New Jersey workers and businesses expect from a Murphy administration?

Five things:

1. Nothing.

For all of the campaign promises, Murphy is walking into a job with the same problems of his predecessors: New Jersey has lots of projects on its plate, from road repairs to funding its pension system, and not enough revenue.



New Jersey property taxes are high, but they hit some taxpayers harder. Property taxes can cost as much as 18 percent of a taxpayer's income.

New Jerseyans are already tapped out. The average New Jersey homeowner pays \$8,500 in property taxes, the nation's highest. The top income tax rate of 8.97 percent on income of more than \$500,000, also is among the most nationwide.

The perennial budget shortfall is "just going to limit what he wants to do," said Peter Reinhart, director of the Kislak Real Estate Institute at Monmouth University in West Long Branch.

2. Millionaires tax

Senate President Steve Sweeney, D-Gloucester, tweeted after his victory last Tuesday: "The first bill we will pass in January with our new governor will be a long-overdue millionaire's tax to fairly and fully fund our schools."



Senate President Stephen Sweeney, D-Gloucester, said the Senate will pass a millionaires tax to generate some of the tax revenue needed to fund the pension contribution.

It isn't clear what the new tax rate would be, but Sweeney previously introduced a bill that would tax residents 10.75 percent on income of more than \$1 million.

The left-leaning New Jersey Policy Perspective, a research group, said the plan could help strengthen public investments.

But business groups said it would only exacerbate the number of New Jerseyans leaving for less expensive states.

"The idea that New Jersey isn't taxed enough is concerning to our clients," said John Boyd, principal of The Boyd Co., a West Windsor-based consulting firm that specializes in corporate site selection.

3. Public bank

Murphy has proposed creating a so-called public bank to bring financial relief to consumers and municipalities alike.



Do your student loans have you feeling squeezed?

It would help students re-finance loans at lower interest rates; finance small-scale infrastructure projects; provide small businesses and residents in low-income communities more access to capital.

The idea is modeled after the Bank of North Dakota that partners with private financial institutions to boost economic development. It has no branches, but it has bankers in three offices in the state.

One question: Where would the New Jersey state bank get money to make loans?

If the state banks takes deposits from private banks, "it's going to be a real serious issue for those banks and hamper their ability to make loans, which is what the governor is trying to encourage," said John McWeeney, president and chief executive officer of New Jersey Bankers, a trade group.

4. Minimum wage hike

Murphy said he supported increasing New Jersey's minimum wage from its current level of \$8.44 an hour to \$15 an hour in a bid to provide workers at least a living wage.

Protesters held a rally in the parking lot at Walmart in North Bergen. About 250 protesters were protesting for a higher minimum wage and workers rights.

File photo

Workers might be in line for other perks. He has supported a law that would provide paid sick leave, too.

Business groups say they would fight the measures, noting they would make it more difficult to attract and retain jobs.

But consumer groups said they would give low- and middle-income New Jerseyans more financial security.

"Those work and family issues we think are going to be major parts of his administration," Phyllis Salowe-Kaye, executive director of New Jersey Citizen Action, a consumer group, said.

5. Enough about Amazon, already

What if Amazon goes elsewhere?



Asbury Park school children will get a leg up on computer coding through a new partnership between Hope Academy and Sprockets.

Murphy said he wants to reclaim the innovation economy by continuing to invest in higher education, creating apprenticeship programs and improving vocational training.

And he wants to expand incubators where entrepreneurs come together, work and exchange ideas.

The strategy takes aim at at least one reason New Jersey's economy is lagging. The state has fewer smaller,

faster-growing companies than the nation, a report by McKinsey & Co., a consulting group, found earlier this year.

"How do you teach people the skills you need when you don't know what the market is going to look like in five years," said Walter Greason, dean of the Honors School at Monmouth University. "Give people more tools to help them adapt on their own terms."