Testimony of
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Assembly Budget Committee

March 28, 2018

Chairwoman Marin and members of the Budget Committee:

My name is Josh Goodman, and I'm a researcher with the Pew Charitable Trusts, a public charity that provides research and technical assistance to state policymakers across a range of policy issues. One area of focus for our organization is helping states ensure that economic development tax incentives are supported by evidence.

As Governor Murphy noted in his budget address, New Jersey has committed billions of dollars to economic development incentives in recent years. The Governor has taken a valuable first step to measure the results of these investments by issuing an executive order directing the State Comptroller to produce a one-time study of the state's incentives by the end of the year. Establishing a process for ongoing evaluation of tax incentives would represent a valuable complement to this one-time study. By passing legislation establishing regular, rigorous evaluations of tax incentives, you will ensure that lawmakers can make informed decisions about programs that are central to the New Jersey's efforts to create jobs, attract businesses, and strengthen the economy.

This is a proven approach. Pew's research shows that about 30 states have approved legislation requiring regular evaluation of economic development incentives. In virtually every case, these bills have won strong bipartisan support. They have also brought together supporters and skeptics of incentives alike who agree on the need for better information.

When lawmakers have this information, they use it. Policymakers in Alabama, Florida, Indiana, Maryland, North Dakota, Oklahoma, Oregon, Washington, and other states have made changes to incentives that were consistent with the evaluations' findings or recommendations. Changes both large and small—from ending ineffective programs to subtly modifying the design or administration of incentives—can greatly improve the results.

They can also save money. Last year, Oregon reported that the state was saving hundreds of millions of dollars as a result of its evaluation process. Those savings did not come about primarily by eliminating tax credits; instead, Oregon has worked to reform incentives, so that they cost less and provide a greater return on the state's investment.

Designing an evaluation process involves answering a series of questions. Who has the right combination of independence and expertise to produce high-quality studies? Which incentive programs should be studied and when? How should the findings be brought back into the policymaking process? Assembly bill 2608 and its Senate companion, S1052, represent one approach to answering these questions. Under the legislation, a newly created Economic Development Incentive Review Commission would contract with academic experts, private consultants, or nonprofit research institutions to examine New Jersey's major incentive programs. The Commission would offer policy recommendations that it would present before the Assembly Commerce and Economic Development Committee and the Senate Economic Growth Committee based on the results from the evaluation.

Few states have expanded their use of incentives as aggressively as New Jersey in recent years. Tax incentive evaluation is a common sense approach to ensuring these programs serve the needs of the state's budget, businesses, and workers.

Thank you for the opportunity to share our research.