

NJBIA

REPORT TO MEMBERS *by Philip Kirschner, President*

Change Takes Hold in Trenton

For decades, New Jersey businesses have faced a growing tax burden, onerous and costly regulations, and a state government that too often treated them with suspicion and hostility. But in the first half of 2010, there is evidence that tangible changes are taking hold in the way Trenton treats business. Governor Chris Christie has made it clear that he wants to take New Jersey in a new, business-friendly direction, and the new leaders of the Legislature have made creating jobs a major focus.

Take the budget. In just about every year this decade, New Jersey has faced a sizable budget deficit, and in just about every year, the state has plugged it with tax increases. This year, when the Legislature tried to increase the top income tax rate, Christie vetoed it, saying the state has taxed its citizens enough, and reducing spending is the only way to get the state budget under control.

While the budget is still being debated as this is written, there will not be any tax increases, even though the projected spending deficit is a whopping \$11 billion. For years, NJBIA has argued that the only way to get New Jersey's fiscal affairs in order is to cut spending, not increase taxes. Finally, it looks like we are going to have a

budget that will do just that.

The Governor and legislative leaders have also taken steps to curb the state's huge public-employee benefit liabilities. Over the years, overly generous public-employee benefits have become a financial liability that taxpayers can no longer afford.

Lawmakers have already required all public employees to pay at least 1.5 percent of their salary toward their health benefits after the expiration of their contracts, eliminated for new employees a 9 percent pension-benefits increase granted in 2001, limited participation in pension plans to full-time employees, and limited unused sick-leave payouts at retirement.

The state is also changing its attitude toward regulations. New Jersey's poor business climate is caused in part by onerous and costly regulations. New Jersey has some of the highest permit fees in the nation, as well as tremendous compliance costs and a bureaucracy that can be hostile to business. With more than 25,000 pages of rules, New Jersey's regulatory system is daunting.

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Christie's first order of business was to stem the tide of new regulations. He suspended the imposition of new regulations for 90 days and created a task force to review not only the proposed regulations, but also the state's entire rule-making process. That task force, the Red Tape Review Group, issued its report on schedule in April and its common-sense recommendations are being implemented now. Rules will be subject to cost-benefit analysis, and there must now be "compelling justification" for state regulations to exceed federal standards. Legislators, too, have taken up regulatory reform, with legislation moving that would prohibit "guidance documents" from being enforced as if they are regulations.

The economic crisis has shown legislators the importance of a strong private sector and a healthy business climate. It has also exposed weaknesses in New Jersey's economy that might not have been evident to some. But now, Governor Christie is determined to turn New Jersey's reputation around, and the Legislature has been more receptive to improving the business climate. Finally, a reason for optimism! **NJB**

