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# At Issue

## An Open Letter to the State Legislature and the Governor

**E**arlier this fall, Rutgers University's Bloustein School released a groundbreaking study of people leaving the State and its impact on the State's economy and tax collections.

The study answers, with conclusive empirical evidence, a question asked by many policymakers of the business community: What is the impact of New Jersey's recent deteriorating economic performance on its citizens?

We have all heard accounts of local employers relocating jobs and facilities to more business-friendly states. Statistically, New Jersey's economy is badly under-performing, with private-sector job growth falling to around 45th among the states and only 17 percent of NJBIA members saying the state is a "good place" for expansion of business facilities.

Using Federal IRS tax return information, this Rutgers report, entitled "Where Have All the Dollars Gone," tracks how New Jerseyans feel about their state using the most compelling benchmark – their decision to leave New Jersey. Some of the more interesting findings include:

- New Jerseyans in rapidly accelerating numbers are abandoning the State, and in-migration is unable to offset these losses. In 2006, over 72,000 more New Jerseyans left the state than moved here from other states, a one-year increase in net out-migration of 27 percent! The study predicts that in 2008 New Jersey will experience an absolute decline in total population.
- Those leaving New Jersey are wealthier than those moving into the State, reducing State tax revenues and economic activity. Net migration losses since 2000 cost New Jersey's economy over \$10 billion in lost income last year. This equated to nearly \$700 million in lost state income and sales taxes in 2006 alone.

- Retirement and weather concerns do not explain these relocation decisions. Contrary to popular belief, most New Jerseyans leaving the state are moving within the Northeast/Mid-Atlantic region, not to Florida and the South. Of the 10 most popular relocation venues, New York (1), Pennsylvania (2), Virginia (5), Maryland (8) and Massachusetts (9) are direct regional economic competitors, with North Carolina (6) growing in influence.
- The economic consequences will worsen significantly as population losses accelerate. Between 2005 and 2006, an estimated \$2.2 billion in income was lost. This is three times higher than the income loss of \$688 million experienced between 2000 and 2001.

What's driving these decisions? New Jersey employers tell us the high costs of living and doing business are driving their customers and their workers to more affordable states. Of particular concern are high business and personal taxes, as well as rising government compliance and mandate costs.

What can the Legislature and Governor do to help reverse this trend? They need to give employers confidence that New Jersey is committed to creating the conditions that lead to business growth. Measures like the proposed paid family leave mandate (only California currently has such a mandate) send a strong signal that New Jersey policymakers are deaf to employers' legitimate concerns. And new health-insurance-coverage mandates, no matter how well intentioned, will make New Jersey's highest-in-the-nation health insurance costs even higher. These actions only reinforce the state's anti-business reputation.

Residents and businesses are voting with their feet and leaving New Jersey in unprecedented numbers. It's time to stand up to constituencies that want more mandates and benefits than our citizens and employers can afford. Otherwise, our beloved state will increasingly become home to residents and businesses that cannot afford to go anywhere else and our state's economy and fiscal condition will continue to deteriorate. Enough!