



Report of the  
Agriculture  
Transition Advisory Committee

Submitted to Governor-elect Phil Murphy and Lieutenant  
Governor-elect Sheila Oliver

January 1, 2018

## EXECUTIVE SUMMARY

Agriculture is the state's third largest industry in NJ – 9,100 farms contribute an annual economic output of over \$1.1 billion. NJ is a "top 10 state" in producing multiple crops from blueberries to tomatoes. The Agriculture Transition Advisory Committee proposes that the Governor-Elect consider the following recommendations to accomplish these priorities:

### **I. Priority: Provide 100k more NJ households with additional food assistance**

The committee recommends the Governor-elect immediately restores the "Heat and Eat" program. By spending approximately \$3.2 million from federal energy assistance accounts to increase annual energy assistance payments, the state would generate an additional \$170 million in federal Supplemental Nutrition Assistance Program (SNAP) benefits. Over 100,000 NJ households would then receive additional food assistance.

### **II. Priority: Reinvigorate Jersey Fresh and make agriculture more financially sustainable**

The Governor should direct the Department of Agriculture (DOA) to organize a stakeholder process to make recommendations on how to revive this critical NJ program. New Jersey should also join the rest of the country to permit farmers and others to sell home baked goods based on other state models that protect public health.

### **III. Priority: Enhance extension services**

NJ Agricultural Experiment Stations (NJAES) provide critical technical support services, world class research, and guidance for farmers. The Governor should include language in the FY19 budget requesting that Rutgers support NJAES by filling key positions and creating greater certainty for the program's future.

### **IV. Priority: Improve deer management**

Farmers are experiencing unsustainable crop loss from wildlife. The Governor should direct the Department of Environmental Protection (DEP) to work with the Department of Agriculture to establish a strategic deer management plan, including consideration of a single annual farmer depredation permit, valid seven days a week.

### **V. Priority: Support urban, niche and beginner farmers**

The Secretary of Agriculture should work with NJAES to expand opportunities for urban, niche, and beginner farmers by increasing access to land. The State should also permit farmers with fewer than five acres of land to accept SNAP and WIC benefits.

### **VI. Priority: Build environmental partnerships with NJ farmers**

DEP should encourage best management practices to address the impact of climate change on farms and water pollution. The Governor should also consider providing low interest loans for farmers transitioning to practices that reduce carbon in the atmosphere and pollution.

### **VII. Priority: Rural economic development**

The Governor should empower the DOA to develop a sustainable rural economic growth strategy. This plan should include expanding broadband internet access in rural communities and exploring the establishment of the Coastal Plains Wine Corridor.

## REPORT

### I. PRIORITY: FEED THOUSANDS OF MORE NJ RESIDENTS

#### i. Recommendation: Support the “Heat and Eat” program

New Jersey has an opportunity to increase a critical nutrition program for thousands of NJ residents under the federal “Heat and Eat” program. Governor Christie eliminated this program and vetoed numerous legislative attempts to make a minimum Low Income Home Energy Assistance Program (LIHEAP) annual payment of \$21 per household in order to qualify for a standard utility allowance under the Supplemental Nutrition Assistance Program (SNAP). NJ Policy Perspective has found that maintaining the “Heat and Eat” program would bring \$53 in benefits for every dollar invested. By spending approximately \$3.2 million to increase its annual energy assistance payment to \$21 per household, the state would generate \$170 million in federal SNAP benefits. This \$3.2 million might not even have to come out of New Jersey’s coffers; most other states that extended Heat and Eat are using federal funds from the LIHEAP program. The committee highly recommends the Murphy Administration immediately restore the “Heat and Eat” program. By restoring this program, over 100,000 NJ households will receive additional food assistance.

#### ii. Recommendation: Coordinate and streamline food insecurity programs

Food insecurity programs such as SNAP, WIC, School Breakfast, School Lunch, Special Milk Program, Child and Adult Care Food Program, Food Assistance for Disaster Relief, Fresh Fruit and Vegetable Program, Summer Food Service Program and Farmers Market Nutrition Programs are currently funded and managed across multiple departments. The lack of coordination and distinct locations for all of these food related programs results in confusion that inhibits efficient service delivery. The committee recommends that the Governor consider centralizing these programs into two departments to increase efficiencies and reduce administrative costs: Agriculture and either Human Services or Health. More research is needed on federal requirements that specific programs reside at a specific agency. Success is measured by increased utilization and more efficient service delivery.

Similarly, the state should work with the federal government to streamline the application process for these programs. Non-school entities are allowed to operate multiple child-nutrition programs but they are required to submit applications for each. Streamlining the process to allow public and private organizations to complete one application would remove some of the administrative burden. The application process is currently a federal requirement. The committee recommends Governor-elect Murphy work with the state’s Congressional delegation to urge USDA to streamline applications and thereby increase utilization. There should be no cost.

In addition, the programs within the School Nutrition Programs in the Department of Agriculture are the National School Lunch Program, the School Breakfast Program, the After-school Snack Program, and the Special Milk Program. These programs are available to eligible public and non-profit private schools and child care institutions. Access, utilization, non-payment and bullying in cafeterias are problems with the programs that need to be addressed. Applications for these programs should be made easier for schools and parents. The committee recommends that the Governor support creating one streamlined online application for school districts and nonprofit nonpublic schools. This would save money and time and increase efficiency by eliminating the

manual entry of student information from thousands of paper applications. Cost should be minimal. Increased program utilization rates are a measure of success.

**iii. Recommendation: Notify parents of food programs**

The Summer Food Service Program provides critical food security to thousands of children across the state. This program fills a critical gap when students do not have access to the school-based nutritional programs. Unfortunately, the DOA has failed to notify students promptly when new summer food service sites are created. The committee recommends that the Governor support requiring that students be notified by their schools before school closes for the summer to increase utilization and awareness of these important programs.

**II. PRIORITY: REINVIGORATE THE “JERSEY FRESH” PROGRAM**

The Jersey Fresh program is vital to the success of New Jersey farmers. However, drastic funding cuts over the course of a decade from a peak of \$1 million down to \$50,000, have all but shuttered the successful marketing campaign. The current budget barely covers the cost of the inspection and grading program. Competition from surrounding states, such as Pennsylvania’s “PA Preferred program” has increased.

The program has seen several branding campaign expansions through the years such as Jersey Grown, Jersey Bred, Jersey Seafood, and Jersey Firewood. The current budget barely covers the cost of the inspection and grading program.

Within the first 100 days, the Governor should direct that the Department of Agriculture convene a stakeholder process with farmers, retail food outlets, marketing and university experts, and other interested parties to gather innovative ideas on how to reinvigorate the Jersey Fresh campaign. Special attention should be paid to co-branding, cross promotions, public-private partnerships and working with the state’s major institutions. This process should lead to a set of recommendations presented to the Governor.

In addition, the Governor should consider:

- Expanding the definition of Jersey Bred to include all poultry and livestock.
- Creating new incentives for Jersey Fresh promotion at supermarkets, broadcasting the “Buy Jersey Fresh” message on electronic traffic message signs for periods through the growing season and using other unique avenues for messaging where the state is already interacting with the public, such as providing promotional materials when processing paperwork at the DMV. The Division of Travel and Tourism could be distributing “Jersey Fresh” promotional materials as well.

**III. PRIORITY: MAKE AGRICULTURE MORE FINANCIALLY SUSTAINABLE**

Farmers also need access to new business development opportunities. New Jersey is the only State in the country without a law allowing home baked goods to be sold legally. The committee recommends joining the rest of the country to permit farmers and others to sell home baked goods based on other state models that protect public health. Other areas that should be considered include: allowing farm beer and cider brewing bill similar to NY State, and legalizing the production of industrial hemp. Allowing more

activities that tap into the market for “agri-tainment” or “agri-tourism” on preserved farms will be crucial in allowing these farms to adapt to future market conditions. These actions may have nominal costs for departments implementing newly implemented laws. However, some of this should be offset with permit or licensing fees where appropriate. Success will be measured if these laws are enacted.

New Jersey’s State government spends millions of dollars on the procurement of fresh produce for its departmental commissaries, school cafeterias and in-house catering. The committee recommends that the Murphy Administration consider creating a performance-based program that prioritizes the procurement of produce from New Jersey based farmers. The DOA working with the Department of Treasury could identify key performance metrics that will advance key state goals such as reducing pollution, energy and water use and economic goals.

The New Jersey horse racing industry has struggled in recent years with a reduction in competitive purses at the State’s racetracks as well as smaller incentives for breeder programs. In 2009, the percentage of horse farms in the farmland preservation program was 11%. Horse farms comprised 8% of the total acres preserved. Acreage supported by equine-related interests made up 25% of the total farmland in New Jersey. The committee recommends the Governor-elect take action to clarify the production exemptions for the horse industry as they relate to stall rentals. Confusion on this issue has plagued small equine business owners. To support this important agricultural sector, the committee recommends lifting the federal sports betting ban. This action could bring significant resources to our racetracks from the \$150 billion sports betting market. This money could help revitalize the struggling racing market as horse tracks are legally able to offer sports betting under State law. This summer the Third Circuit court upheld the lower court ban on sports betting. The Thoroughbred Horsemen’s Association and the State of New Jersey appealed the ruling to the US Supreme Court and arguments were recently heard. A decision in the State’s favor would infuse much needed revenue into the struggling industry and at no cost to the State. Success would be measured by an increase in purse money, longer racing seasons, and increased interest in the state’s races.

#### **IV. PRIORITY: SUPPORT NEW JERSEY AGRICULTURAL EXPERIMENT STATIONS AND OTHER EDUCATION PROGRAMS**

NJ Agricultural Experiment Stations (NJAES) are critical to the state’s agriculture industry. Through its Cooperative Extension offices in all 21 NJ counties, NJAES (housed at Rutgers) is the main source of technical support that farmers, ranchers, the nursery industry, and landscape professionals use to make sound land-use decisions. In addition, nine off-campus centers focus on agricultural research along with the world-class research center on the George H. Cook Campus. Unfortunately, between 2008 and 2016, the State withdrew 24% of NJAES’ funding.

The budget deficit of over \$8 million has caused a hiring freeze and announcement of potential cooperative extension staff lay-offs. Further loss of expertise and experience, as cooperative extension staff become eligible for retirement in the next few years, is unsustainable for the state’s agriculture programs. In addition, the committee is concerned about NJAES recently pulling county-level agents into state-level program director roles without replacing the county-level position.

The committee recommends that the Governor work with the Legislature to include budget language in the FY18 budget urging Rutgers to support NJAES by filling key positions. Further, the committee recommends if Rutgers is unable to resolve the issue within a reasonable timeframe, the NJAES funding should be separated from Rutgers FY2019 budget as a distinct line item.

Agriculture education in colleges and high schools for the mechanical and horticulture skills needed for farming should also be supported. Similarly the committee recognized the importance of youth programs

such as Future Farmers of America (FFA), 4H, and Vo-tech. The average age of a New Jersey farmer is sixty. The next generation of farming families may not have the same interest in farming as previous ones did. The state has invested tremendous resources to preserve farmland with an expectation that the land remained farmed.

## **V. PRIORITY: EXPANDING WILDLIFE MANAGEMENT CONTROLS & DEVELOPING NEW TACTICS**

Wildlife damage to agricultural crops remains a chronic concern for New Jersey farmers. Farmers report routinely experiencing annual crop losses of up to 40% from wildlife. Deer populations are also a public health concern given the burden tick borne illnesses place on our health care system, not to mention the reduced quality of life experienced by those suffering from illnesses such as Lyme disease. Deer are also a major cause of traffic accidents. Furthermore, the overpopulation of deer is contributing to a loss of critical habitats needed to maintain native species and biodiversity.

The committee recommends that the Murphy Administration direct the DEP to work with the Division of Fish and Wildlife and the Department of Agriculture to establish a strategic deer management plan that develops target population numbers for a sustainable herd. The Plan should address providing immediate relief for farmers by establishing a single annual farmer depredation permit, valid seven days a week, for all wildlife specifics. The permit could be renewed automatically if prior year crop damage occurred. The Plan should also consider:

- Conducting a re-evaluation of deer populations, similar to the infrared aerial study done in 1997;
- Investigating ways to increase allowable deer hunting if meat is to be donated to food banks;
- Expanding the current regulation that allows farmers to hunt property they own with a farmer license to include farm properties they lease as well;
- Allowing bow hunting during the summer months;
- Identifying high priority state land where focused wildlife management is needed;
- Whether the implementation of the Right to Farm Act's requirement to prepare Agricultural Impact;
- Adopting an "Earn-A-Buck" program that could be implemented for all seasons in every zone, with an increase in the number of does taken per buck until the population has reached a scientifically acceptable level.
- Providing liability protection for landowners from the responsibility for game code violations committed by hunters while hunting on the landowner's property and other liability issues; and
- Investigating the possibility of classifying deer as varmint, at least in the most over-populated zones.

These recommendations can be performed by existing department staff. These measures will be deemed a success when farmers have a reduction in annual crop loss; residents experience fewer car accidents with deer, increase in native vegetation in precious ecosystems and there is a reduction in Lyme disease.

## **VI. PRIORITY: SUPPORT URBAN, NICHE AND BEGINNER FARMERS**

Farm management tends to lack diversity in New Jersey. Other states have studied how lack of land access, farming education, farm employment and other barriers have entrenched that lack of diversity and the State could benefit from a careful review of the policy recommendations in those studies. Land access

is commonly acknowledged as the number one barrier for anyone attempting to transition to production agriculture. This is especially difficult for beginner farmers, small, organic, niche, and urban farmers.

The committee recommends all departments and agencies adhere to the provisions of 4:1C-45 and identify unencumbered unutilized parcels of land. The Governor could provide special access to parcels under five acres for lease to urban, niche, small, organic, and beginner farmers. Parcels larger than five acres could be made available for lease to any farmer within the state. The committee also recommends that the Governor consider eliminating the following barriers: extend tax benefits to farms under five acres if it is the primary source of family income; extend right to farm protections to farms under five acres; remove the department of health regulation that prohibits farms under five acres from accepting SNAP and WIC; direct the DOA to develop a state-level program that aggregates the expanding types of urban agriculture initiatives, work with educational institutions, the private sector and nonprofits toward the abatement of food deserts and the expansion of economic development opportunities in urban areas related thereto; limit all state owned land leases to in state residents and businesses unless no other applicant applies; encourage local planning and zoning boards to encourage urban farming as a means of ending urban food deserts; encourage farm workers to become managers and owners by establishing loan programs at EDA specifically for beginner farmers to purchase equipment; establish a pilot program in Green Acres for acquiring land in urban areas for community farms and pollinator habitat. The cost to implement these reforms should be minimal, if any, as all functions can be performed by existing department/agency staff and resources. Success should be measured by increasing the diversity in the New Jersey farming community and establishing more small, niche, urban, organic and beginner farms.

## **VII. PRIORITY: CLIMATE SOLUTIONS & GREEN INFRASTRUCTURE ON FARMS**

Climate change is already resulting in decreased yields, weather related die offs, and less predictability. In addition, reducing water pollution and flooding, improving native wildlife habitat continues to be a high priority. The Committee recommends that the Murphy Administration should encourage the use of best management practices, such as use of cover crops and reduced till, that can decrease soil erosion, improve water infiltration, sequester carbon, and increase nutrients and organic material in the soil. These practices can reduce the consumption of water, fertilizer, and fuel while increasing overall yield, improving the farm's bottom line, and providing temporary cover and forage for wildlife. Installing native vegetative buffers can further improve the sustainability of a farm by reducing soil erosion, decreasing sediments and nutrients entering nearby waterways, and decreasing flooding while providing important resources to New Jersey's native wildlife. The recent SADC efforts to encourage these practices on preserved farms should be supported. The unique and trust based relationships between Rutgers Extension staff and working farmers should be used to promulgate these techniques. In addition, consideration should be given to making low interest loans available through EDA to farmers transitioning from traditional agriculture methods to practices that utilize innovative methods to reduce pollution including carbon. The state should encourage the DEP to consider common-sense rules for farm based composting and recycling of food wastes and brush and lawn wastes where the products of those activities are to be used on farm.

The State should maximize all federal grants and other programs to protect waterways and forested ecosystems. The partnerships between the U.S. Natural Resources Conservation Service, state agencies, nonprofits, cooperative extensions and others should be expanded especially in key areas such as the Delaware River basin.

### **VIII. PRIORITY: SUPPORT CRITICAL AGRICULTURAL RESEARCH WITH IMPROVEMENTS TO THE PHILLIP ALAMPI BENEFICIAL INSECT REARING LABORATORY**

The Phillip Alampi Beneficial Insect Rearing Laboratory, a 21,000 square-foot special use facility constructed in 1985, is one of the nation's leaders in the discovery, research, and rearing of beneficial insects for traditional agricultural lands and forests. The biological pest control methods developed at this facility allows state entomologists to establish insect rearing techniques and mass produce beneficial insects which, when released, help reduce invasive insect and weed populations. These entomologists are the first line of defense against pest exposure from imports through our massive port system. Last year alone 6.25 million shipping container units, 47 million tons of bulk cargo, 663,000 vehicles, and 140,000 tons of break bulk cargo came through our northern Port of New York and New Jersey. The laboratory has reduced residents' exposure to thousands of tons of pest control agents, thereby reducing the impact of these chemicals on the environment by employing insects to kill said pests.

The current administration has failed to prioritize necessary repairs at this facility and financially constrained the laboratory by freezing fees it charges for services (the fees were also frozen at the NJDA Animal Health Diagnostic Laboratory and the NJDA Plant Laboratory). The committee recommends that the Governor urge the Commission on Capital Budgeting and Planning to prioritize full restoration of capital funding for repairs at the Phillip Alampi Research Laboratory. These funds will provide for the installation of new HVAC equipment, ductwork, and piping; installation of a building automation system; and revise the electrical power system to comply with current building codes. Portions of the building have remained closed for a decade now as a result of deteriorating conditions and these improves will allow the staff to use more laboratories to compete for more research dollars and to rear insects. This funding should come from the Commission on Capital Budgeting and Planning's budget. The measure of success is a full utilization of all facility laboratories, increased yield of insects, and market rate charges for services.

### **IX. PRIORITY: DEVELOP A RURAL SUSTAINABLE ECONOMIC GROWTH STRATEGY**

Special attention is needed to NJ's rural communities which have unique challenges in maintaining important services and sustainable economic growth. The committee recommends that the Governor empower the DOA to development a sustainable rural economic growth strategy. This plan should include expanding broadband internet access in rural communities and exploring the establishment the Coastal Plains Wine Corridor.

The governor should also work to receive more federal funding and grants for rural areas and projects from the federal government.

#### **i. Recommendation: Deploy strategy for broadband internet in rural communities**

Access to broadband internet is a fundamental requirement in the 21st century economy. Children that live in areas lacking broadband have difficulty completing school assignments. Businesses have no ability to maintain and operate websites which eliminates the fastest growing customer base. People living in rural areas without internet have less economic opportunity, which leads to entrenched poverty. New Jersey rural families living in poverty are the invisible poor.



The committee recommends that the Governor elevate the need for broadband access to all New Jersey residents. The BPU should work in consultation with the Department of Agriculture to explore all solutions to end the digital divide by finding a responsible way to provide access to broadband internet for those our government has made to feel invisible during this last administration. The current BPU negotiation with Verizon is woefully inadequate to address the broader problem of access for all rural communities. Nor should the burden to provide broadband be placed solely on one company. The new administration recognizes that providing a stronger and fairer economy means having access to broadband internet. The committee also urges the administration to implore all of our federal representatives to visit these rural communities and take a message back to Congress that New Jersey needs more than a one size fits all “urban” designation for our state which prohibits us from competing for numerous federal programs, including programs that would address internet access in our rural communities. Perhaps cost sharing deployment of infrastructure with internet service providers while requiring a certain volume of residents commit to subscribing within a given area should be explored. Increased access to broadband internet in rural communities would indicate success of this measure.

**ii. Recommendation: Create Coastal Plains Wine Corridor Study Task Force**

Winery and vineyard production has expanded rapidly over the past two decades. Expansion is naturally concentrated heavily in one geographic region, creating a unique opportunity to brand this region as its own distinct tourist destination. The growing number of wineries in the southern counties of Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Ocean, Monmouth and Salem will pave the way for an even greater tourist economy in decades to come. These counties are entirely or partially designated by the federal government as an American Viticulture Area known as the Outer Coastal Plains, which covers over 2.25 million acres in southeastern New Jersey.

The committee proposes a regional designation, to brand and promote all the relevant counties as the “Coastal Plains Wine Corridor.” This branding should include but not be limited to visually pleasing signage on highways in the region welcoming tourists to the “Coastal Plains Wine Corridor.” As part of the branding and visibility program, the State should establish a sister program for towns and counties within the region to participate by branding themselves as a “Coastal Plains Wine Town or County” or “Jersey Fresh Wine Town or County.” Any town or county willing to adopt the designation and accompanying signage would be required to participate fully with local wineries that ask for way-finding signs as part of programs like the Tourist Oriented Directional Signing Program (TODS).<sup>1</sup> The administration should also eliminate all remaining barriers to participation by wineries in TODS or any other similar program.

The Coastal Plains region can compete to become the Napa Valley of the East, but this burgeoning economy requires acknowledgment and resources to realize its full potential. The State should aggressively promote wine tourism in the area with the highest density of vineyards and help farmers transition towards this crop. Grapes are a high-value crop that have helped many farmers stabilize their business enterprise. The committee recommends that a special program in the Economic Development Authority (EDA) be developed in consultation with expertise from the Rutgers Agricultural Experiment Station Program. These wineries should have access to EDA loans for winery expansion, vineyard establishment, and equipment purchase. Vineyard

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<sup>1</sup> Note that, this branding campaign may not be appropriate for Cape May County, as the county is pursuing a distinct USDA ACA designation with the federal government.

expansion will also help alleviate the grape shortage, an issue that has been raised annually at the State Agricultural Convention. Loan programs will assist with the high cost of establishing vineyards since it takes years before grapes can be harvested for profit.

Establishing the “Coastal Plain Wine Corridor” will have some hard costs, including sign creation, purchasing and placement costs. The Division of Travel and Tourism should also produce materials promoting the region as well as a landing page with information about the wineries in the “Coastal Plains Wine Corridor.” The measure of success for the program is an increase in wine tourism as well as a reduction in the grape shortage.

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Committee Members:

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The Governor, Lieutenant Governor, and the entire senior transition team staff greatly appreciate the immense amount of work, participation and expertise that all our co-chairs, committee members and deputy directors who staffed each committee provided since the transition began in November. This hard work and positive energy about how New Jersey can once again become a national leader has resulted in a robust set of recommended priorities and actions for the incoming administration to consider. As with any collaborative endeavor, many recommendations and opinions were expressed and debated during the committee meetings and the drafting of the reports by co-chairs, committee members, and Deputy Directors. The final reports may contain recommendations that do not reflect the concurrence of all co-chairs or committee members, nor of the organizations they represent. These reports are purely advisory and do not reflect the positions of the Governor-Elect or any other elected official.



Report of the  
Budget  
Transition Advisory Committee

Submitted to Governor-elect Phil Murphy and Lieutenant  
Governor-elect Sheila Oliver

January 1, 2018

## EXECUTIVE SUMMARY

For decades, NJ was a shining example of fiscal prudence. The state enjoyed strong growth and an AAA credit rating. During the 1990s, as the economic growth lagged, NJ policymakers departed from this stable financial course. This resulted in eleven credit downgrades in the past eight years. Today, NJ's appropriation credit stands two downgrades away from junk bond status. The state's massive pension obligation is a major reason for these downgrades but insufficient revenues, other debts, and increasing costs are fueling further economic instability.

The Trump Administration's tax and budget policies make "digging out of this hole" even harder. These policies directly harm almost every aspect of NJ residents' lives (e.g. reductions in health care and food assistance programs) and their economic security (capping property tax deduction and other tax changes that disproportionately negatively impact NJ).

Despite all of these pressing challenges, the most immediate challenge facing NJ is the state's current budget, which could be running a significant deficit. The Transition Committee and staff will not have the most accurate data until the Governor takes office, but there will be very little time to respond to the current budget and start planning for the FY19 budget which also appears to very challenging on many fronts.

No one solution is going to fix the state budget and it will take many years to "right the ship." Some core principles that should guide the Governor include:

- (1) **Protect Public Safety.** We must ensure that we protect NJ residents' safety and health. We live in a complicated world with many security threats and NJ must be vigilant.
- (2) **Invest and Grow NJ's Economy and Jobs.** Despite limitations, NJ must invest in improved transportation infrastructure, educating our children, meeting our pension obligation, advancing clean energy, and other key priorities to drive economic growth.
- (3) **Ensure Fairness.** Past policies have not given many NJ residents a "fair deal." An increase in the state minimum wage will be a great start and one that will help the state budget by increasing economic activity.

Further, the Budget Policy Transition Committee recommends that the Governor consider the following recommendations to bring NJ back to fiscal stability:

### **I. Priority: Generate adequate revenue**

- i. Legalize sale of cannabis
- ii. Close Corporate Business Tax loopholes
- iii. Raise the marginal tax rate on those earning over \$1 million (while monitoring outmigration of high-income taxpayers)
- iv. Work with NJ's congressional delegation to change Federal laws that prohibit the states from capturing sales tax on some of the ecommerce activity
- v. Partner with other states to limit the carried interest loophole

### **II. Priority: Make government more efficient**

- i. Take a technology-based multi-agency enterprise approach to the way it handles delivering services to its residents, including reviewing underperforming programs
- ii. Remove unnecessary requirements for occupational licenses on certain professions

- iii. Improve State's allocation of federal funds by tapping into available grants for the State agencies and hiring federally-funded State government employees

**III. Priority: Address the underfunding of the public pension system**

- i. Revisit the current pension payment plan to ensure it is robust enough to stabilize public pension system
- ii. Reduce expenditures on high-fee outside pension managers

**IV. Priority: Create a culture of fiscal responsibility**

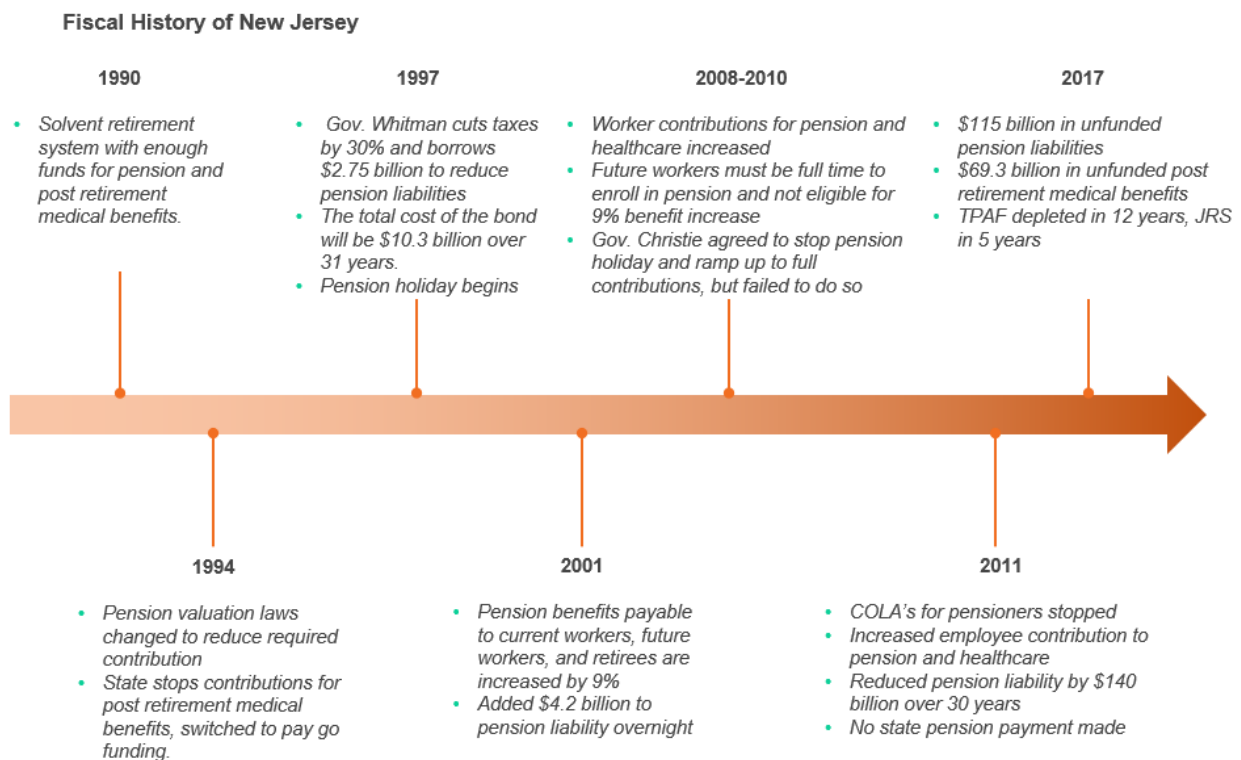
- i. Revive/reconstitute the Governor's Council of Economic Advisors to monitor interactions between the economy and the state finances
- ii. Mandate better reporting on outcomes from EDA subsidies and improve evaluation
- iii. Produce multi-year financial plans, complete with debt affordability analysis
- iv. Institute requirements for development and maintenance of the state's rainy-day fund (stabilization funds)

## REPORT

### HISTORY

New Jersey used to be an economic engine with an AAA credit rating. During the 1990s, as the economic growth started to lag the national average, policymakers departed from this stable financial course and pursued budgetary policies that have led to New Jersey’s current fiscal instability.

These trends accelerated after the economic boom of the late 1990s subsided, resulting in a series of budget shortfalls in the early 2000s. All branches of government have played roles in increasing the amount of debt, neglecting to make contributions for future pension and health benefit expenses. The courts allowed borrowed funds to be used as general revenue until 2004 when the New Jersey Supreme Court ended the practice through the decision in *Lance vs. McGreevey*.



Under Governor Christie’s administration, the state’s structural deficits have stayed high. The New Jersey State budget has increased from \$29.4 billion in FY 2011 to \$34.6 billion in FY 2018, with FY 2018 being the largest budget in State history. In spite of the significant growth in spending and revenue over this eight year period, the Christie budgets have exacerbated the structural budget problems facing New Jersey. The current administration took credit for balancing the budget in 2011, but skipped the \$3 billion pension payment and didn’t fully fund the school aid formula or the state’s property tax rebate program. As a result, for FY 2019, the structural deficit is estimated to exceed \$8.7 billion.

The journey to our current fiscal state has left us with some alarming facts:

- New Jersey is ranked dead-last among the 50 states by Mercatus Center on short and long-term solvency.

- New Jersey’s unfunded pension liability is the 4<sup>th</sup> highest among the 50 states.
- New Jersey’s appropriation debt is rated only three notches above junk debt. In downgrading state’s debt for the 11<sup>th</sup> time in 8 years, Moody’s indicated that the lowered rating was “based on the state’s weak budgeting condition”.
- New Jersey ranks 50<sup>th</sup> among the 50 states in the balance of payment with the Federal Government. In 2015, each New Jersey taxpayer received \$2,659 LESS on average in federal spending than what he/she paid in Federal taxes.

Many of the key factors that made New Jersey great are still in place. We are an essential element of the economic corridor in the Northeast. Our colleges and universities, such as Princeton and Rutgers, continue to attract the best talent from around the globe. Many of the state’s industries still enjoy great success, including pharmaceuticals which continues to attract life sciences start-ups.

Our state now needs leadership. It will take more than just one term of any administration to bring New Jersey back to its glory days. However, Governor-elect Murphy has an opportunity to put in place people and processes that will eventually bring the State back to the fiscal and economic health that it once enjoyed.

#### **A SNAPSHOT OF FY 2018 IMPLICATIONS FOR FY 2019**

- The Murphy Administration on January 16<sup>th</sup>, 2018 may start with a budget gap resulting from forecasting of revenue that may have been too optimistic, spending money not included in the appropriations, and expecting savings that didn’t materialize (*Table I*).
- Corporate Income Tax and Sales Tax receipts in the first five months of FY 2019 have been lower than expected. In anticipation of lower federal tax rates in 2019, many corporations have pushed 2018 earnings into the next year.
- Additional revenue reductions are likely due to the reduction of the state sales tax and gradual elimination of the estate tax.
- In the past eight budgets, New Jersey has heavily relied on almost \$9 billion in non-recurring revenue to meet many recurring expenses. The FY 2018 budget includes over \$1.1 billion in non-recurring revenue such as revenue from asset sales, legal settlements and delaying payments, a revenue stream that will not be available to the incoming administration.
- The state has accumulated approximately \$36 billion in state-revenue supported debt, and servicing that debt now costs the state 11% of the annual budget revenues.
- A large portion of the state’s revenue is dedicated to a particular program or purpose because of court mandates, contractual obligations, referendums, and federal rules that take flexibility away from the Legislative and the Executive branches.
- The budget is further adversely affected by the proliferation of business subsidies (i.e., “tax expenditures”) granted to businesses over the eight years. According to the Office of Legislative Services (OLS), in FY2018, the state’s business incentive programs may cost approximately \$630 million. Further uncertainty is introduced through sale of the credits or the timing of a subsidy recipient fulfilling all eligibility requirements. State needs a thorough performance audit of the various incentive programs administered by the Economic Development Administration (EDA).
- The State Treasurer’s recent announcement to drop the expected rate of return on pension investments from 7.65% to 7% will significantly increase the required pension contribution the State will need to make for FY 2019 and beyond.

*Table I: Unforeseen budgetary costs and unrealized savings would further adversely affect the FY2018 state budget.*



Issue	Amount	Comment
Medicaid Reimbursement	\$301-\$600 million	The DHHS Inspector General, on November 28, 2017, found that between Public Consulting Group (a contractor hired by the state to develop the Medicare reimbursement rates) included certain unallowable costs between 2003 and 2015. CMS is expected to demand reimbursement.
Increase Tax Collections	\$200 million	The budget assumes savings from the Christie Administration's initiative to increase staff and encourage voluntary compliance.
State Health Plan Savings	\$125 million	In addition to normal risks in estimating employee and retiree health care costs, the budget assumes these savings from future plan design changes, which requires approval by plan design committees. The current status is unknown.
Anticipated Budgetary Savings	\$50-\$82.5 million	The budget assumes <b>\$50 million</b> in statewide savings initiatives and <b>\$32.5 million</b> in savings from management efficiencies that will be reallocated from departmental appropriations to provide adequate funding for employee health benefits and negotiated compensation increases.
Opioid Funding	\$200 million	Governor Christie has announced an expanded role for the state government in addressing the opioid crisis without identifying a revenue source.
NJDOT Winter Operations	\$25-50 million	<i>FY18</i> provides \$10.4 million for winter storm response. Average spending on these costs over the last five years is <b>\$63-\$64 million</b> with a high of \$112.7 million (FY 2015).

## IMPACT OF TRUMP'S TAX BILL & BUDGET

### Tax Law

After Congress passed the Tax Cuts and Jobs Act of 2017, wealthier taxpayers are more likely to see tax cuts and to receive more of the benefits. While New Jersey, due to its higher proportion of high-income earners, could have benefitted from this tax cut, the \$10,000 cap imposed on the state and local income and property tax (SALT) deduction cancels out much of the expected benefit. New Jersey taxpayers will fare worse than the national average. There are ongoing discussions underway at state capitals and among the academics on ways states can restructure revenue collection to mitigate the impact of the cap on the SALT deduction. New Jersey should take a leadership role in these discussions. Governor-elect Murphy has already announced his support for providing tax deductions for those who make charitable contributions to their state or other local governments. He will ensure municipalities have the tools they need to implement this strategy at the local level. The new tax law will have the following consequences:

- **State and Local Tax Deduction**

In 2015, close to 1.8 million New Jerseyans deducted a combined \$32,240,572,000 in all state and local taxes, including property taxes, for an average of \$17,850 per filer who deducted.

New Jersey has the 3rd highest percentage in the nation (41.2%) of tax filers who claimed the SALT deduction and the fourth highest average deduction. Repealing the SALT deduction will hit New Jersey tax filers particularly hard. In addition to increasing the average tax burden on

New Jersey filers compared to the rest of the nation, repealing SALT will make it harder and more expensive to raise state and local taxes, and thus harder to generate government revenue for critical investments like education, infrastructure, and public safety.

- **Impact on Charities**

The doubling of the standard deduction, combined with SALT deduction, means that the vast majority of people will no longer be inclined to itemize their deductions in filing their federal personal income taxes. New Jersey tax payers take close to \$5 billion in deductions for charitable contributions on their federal income taxes. Most of these contributions are directed to New Jersey's charities. A drop in these contributions will have a devastating effect on New Jersey's non-profit sector and on the individuals and causes that they serve.

- **Impact on Health Care**

According to the Congressional Budget Office (CBO), repealing the individual mandate would increase the number of uninsured Americans by 13 million over ten years, and would cause average premiums to increase by 10% most years.

The Center for American Progress estimates that marketplace premiums would increase by \$1,650 for New Jersey families in 2019, and that 325,000 more New Jerseyans would be uninsured by 2025.

- **Impact on Charity Care**

The State of New Jersey's Charity Care program provides reimbursements to hospitals and other health care institutions which provide uncompensated health care to the uninsured. As recently as FY14, total charity care funding allocated to New Jersey's hospitals was \$675 million. In the FY18 budget, that number is down to \$252 million. Hospitals have been able to absorb this significant decline in funding because the number of uninsured patients using emergency services has decreased since the Patient Protection Affordable Care Act (ACA) was implemented.

With an increase in the number of uninsured as a result of eliminating the individual mandate, the costs to the state's hospitals for providing care will increase tremendously. Either the hospitals will need to absorb those costs, or the state will need to increase Charity Care funding by several hundred million dollars. Before Medicaid expansion, New Jersey hospitals received \$1.027 billion in 2010 in Charity Care funding from the state and the federal government.

- **Impact on New Jersey's Bonded Debt**

With advance-funding bonds losing their tax-free status under Congress's plan, states and local governments will lose an important tool to reduce their debt-service cost. New Jersey will be unable to refinance its debt by issuing bonds during favorable interest rate times, and more volatility will characterize the annual cost of servicing the state's debt.

### **Trump Budget**

President Trump's budget for FY2018, if enacted, would further limit the State's ability to serve its residents. The budget proposes to cut discretionary spending by \$4.3 trillion over the next 10 years. New Jersey's FY2018 budget includes \$15.8 billion in expected federal aid revenue, much of which would be placed in jeopardy. More specifically:

- The budget eliminates funding for the New Starts program, which was to be the source of funding for the Gateway Project.
- New Jersey would suffer a cut in federal Medicaid funding of over 20%. To offset the federal cuts with state spending, it would cost the state about \$31 billion over 10 years.
- The budget will require states to assume about 25% of the cost of the SNAP (i.e., food stamp) program. This would require New Jersey to spend \$306 million per year to maintain the program.
- The budget eliminates the Low Income Home Energy Assistance (LIHEAP) program, which benefits 300,000 New Jersey residents.
- The budget eliminates the Community Development Block Grant program, which provides states with flexible funding for social programs. New Jersey received \$81 million in these grants in 2016.

## **NEED FOR STRATEGIC BUDGET PLANNING**

As many states, including New Jersey, come face-to-face with the looming deficits, best practices have emerged around the country for budget planning. While revenue increases and spending cuts can be important components of a balanced approach, their structure is also critical to the State's economy.

The reforms proposed here, which center on multi-year planning and the establishment of accountability/evaluation mechanisms, are necessary to reverse the negative fiscal trends that have resulted in one of the largest unfunded pension and health benefit liabilities and one of the smallest budget reserves in the nation.

In order to achieve success over the next four years, substantial efforts must be undertaken to institute budget planning principles that impose discipline while retaining flexibility to allow for political and economic events that will inevitably arise. The following initiatives are key:

- Establish a mechanism for reviewing the multi-year fiscal impacts of proposed legislation and policies, such as economic development tax incentives (e.g., tax subsidies) or phased-in spending commitments.
- Commit to long-term plan for increasing the State's Rainy Day Fund so that recession-induced revenue shortfalls and spending surprises can be absorbed without disrupting the normal delivery of services. A healthy surplus will prevent future credit downgrades and go a long way to restoring the State's positive credit rating.
- Commit to reducing reliance on non-recurring revenues and other one-shot gimmicks. Every effort should be made to support the State's operating budget with recurring revenues, and to minimize reliance on non-recurring revenues in the annual budget process. To the extent that non-recurring revenues are part of a budget, they should be dedicated to the extent possible to one-time, non-recurring expenditures to alleviate pressure on future budgets.
- Produce reliable revenue estimates through a consensus revenue forecasting approach that includes the legislature, the Governor, and independent experts throughout the budgeting process. Actual tax revenue have fallen short of the revenue forecast in 5 out of 8 of the Christie Administration budgets.
- Form a task force to review tax structure for residents and businesses. The three major state revenue instruments (the gross income tax, the general sales tax, and the corporate business tax) have not been modernized to reflect changing demographics, economic, fiscal, and technological circumstances.

## **PRIORITIZE BUDGET INITIATIVES**

Budgeting pressures will continue to make it challenging to fund all of the known budget commitments and emerging funding needs from existing resources. A budget must be crafted that absorbs the increasing pension and debt service costs, investments in mass transit and transportation infrastructure, additional funding to support K-12 and higher education, and the devastating impact from the actions taken by the Trump Administration on the most vulnerable residents – the poor, the sick, the disabled, and the homeless.

A multi-pronged approach based on stronger economic growth, making required pension contributions, revenue increases, and spending cuts would close the structural gap and make the rising fixed costs affordable.

## **I. PRIORITY: GENERATE ADEQUATE REVENUE**

Generating additional revenue to meet priorities with minimum adverse impact on New Jersey residents is an option to address the State’s budget problems that must be considered carefully. However, opportunities exist for the state to capture additional funds through:

- Legalizing the sale of cannabis. This may be a gradual source of additional revenue, with some minimal contribution for FY 2019.
- Closing corporate business tax loopholes. New Jersey should enact combined reporting and close the tax loophole that allows multistate corporations to artificially shift profits to low tax states. Requiring affiliated corporations to file a combined tax return would save resources and discourage corporate taxpayers from using techniques that would minimize New Jersey taxes.
- Raising the marginal tax rate on those earning over \$1 million. The State must continuously monitor outmigration data from annual tax returns to course correct if raising this tax results in declining revenue. Based on available Federal and State data, the taxpayers with the greatest incidence of net domestic outmigration are young low-income taxpayers (below \$25,000) and older taxpayers with high incomes (above \$200,000), who are nearing the traditional age of retirement.
- Working with New Jersey’s congressional delegation and other Governors to pass S.B. 976, “Marketplace Fairness Act of 2017” which would allow the States to capture sales tax on e-commerce between the residents and vendors who do not have a physical presence in the State.
- Improve enforcement by adding auditors to New Jersey Department of Taxation. On average, each additional auditor accounts for \$1 million in additional revenue per year.
- Limit the carried interest loophole by making an agreement with neighboring states to tax the relevant earnings of private equity and hedge fund managers as income.

## **II. PRIORITY: MAKE GOVERNMENT MORE EFFICIENT**

In our era of budget deficits, it is even more important for the State government to be **systematically more efficient**. The Governor-elect will have to find ways to “do more for less.”

- New Jersey should take a **technology-based multi-agency enterprise approach** to the way it handles delivering services to its residents.
- Remove unnecessary requirements for occupational licenses on certain professions. The State should increase opportunities for those getting out of prison by enabling them to apply for licenses.
- Review underperforming programs. States often operate programs that were designed for a set of circumstances that existed in the past and are no longer the most efficient use of the taxpayer dollars. Public agencies are trailing behind private companies at ensuring that there are financial controls in place. A robust performance audit function and monitoring of expenditures is necessary in every agency.

- Reduce our balance of payment deficit with the federal government. Untapped federal funds are available for grants to State agencies and for hiring federally-funded State government employees. For example, the federal Department of Commerce allocates \$250 million in grant money to promote economic activity in distressed areas. New Jersey currently does not receive any of those funds. New Jersey should create an Office of Grant Management for managing and maximizing federal grant funds through collaboration with agencies, local governments, non-profits, and others.
- Reduce cost to the state by expanding enrollment in the federal programs. For example, New Jersey should facilitate the purchase of health insurance through ACA exchanges and enrollment in Medicaid to reduce the cost of Charity Care.
- Revisit unnecessary and outdated regulations. Each state agency should review their regulations and requirements to see if they are effective and still serve a purpose.
- Drastic cuts in personnel have left the State agencies with a hollowed-out middle, unable to perform audit responsibilities and deliver services effectively and efficiently. Frequent internal evaluation and reengineering of the agencies by its staff is essential to ensuring the budget dollars are spent efficiently. New Jersey should also add staff where needed.

### III. PRIORITY: ADDRESS THE UNDERFUNDING OF THE PUBLIC PENSION SYSTEM

Underfunding of New Jersey’s public pension over the years has resulted in a crisis that cannot go unaddressed. By FY2023, a combination of debt service cost, required pension contributions and cost of providing health benefits to public employees, will severely impact the budgeting process by consuming 33% of state revenues.

The FY2018 state budget includes \$2.46 billion in pension payments. This represents half of the full payment of the annual required contribution (ARC). Governor Christie will have contributed a total of \$8.7 billion to the pension systems in his eight years in the office, which is \$23.1 billion less than the \$31.8 billion in actuarially required payments over that timeframe. During that eight-year period, employee contributions to the pension systems will total approximately \$14.9 billion, 71% more than the State’s contribution.

Christie Administration Pension Payment History					
Fiscal Year	Pension Contribution	% of Full Contribution	Full Contribution	Missing Payment	Employee Contribution
FY 2011	\$ -	0%	\$ 3,132,000,000	\$ 3,132,000,000	\$ 1,574,552,263
FY2012	\$ 484,484,000	14%	\$ 3,541,549,708	\$ 3,057,065,708	\$ 1,784,585,569
FY 2013	\$ 1,029,296,000	29%	\$ 3,605,239,930	\$ 2,575,943,930	\$ 1,890,381,838
FY 2014	\$ 699,379,000	19%	\$ 3,692,602,957	\$ 2,993,223,957	\$ 1,884,187,282
FY 2015	\$ 892,634,000	23%	\$ 3,935,776,014	\$ 3,043,142,014	\$ 1,924,939,201
FY 2016	\$ 1,307,104,000	30%	\$ 4,357,013,333	\$ 3,049,909,333	\$ 1,901,760,304
FY 2017	\$ 1,861,608,000	40%	\$ 4,654,020,000	\$ 2,792,412,000	\$ 1,983,924,211
FY 2018	\$ 2,460,632,622	50%	\$ 4,921,265,244	\$ 2,460,632,622	\$ 1,983,924,211
8-Year Totals	\$ 8,735,137,622.00	27.44%	\$ 31,839,048,870	\$ 23,103,911,248	\$ 14,928,254,879

Without proactive policy changes to increase revenues and/or reduce spending, future pension contributions will become unaffordable, increasing the risk of additional pension contribution cuts. The state’s recent legislation shifting to quarterly contributions somewhat lowers the risk of a large pension cut like the one that occurred in FY2014. However, if another late-year budget gap materializes, the state retains the flexibility to cut the last quarterly contribution or reduce the annual pension appropriation in future budgets. Any deterioration in pension fund cash inflows would diminish future assets available to pay benefits. As a result, without additional policy action to structurally balance the budget, the state would risk having to pay pension benefits directly from the general fund. New Jersey should:

- Revisit the current pension payment plan to ensure it is robust enough to stabilize public pension system.
- Reduce use of high-fee outside managers (hedge funds, PE firms) for managing pension assets. The New Jersey pension system paid more than \$659 million in fees to private fund managers in 2016, up from \$125 million in 2009, with no commensurate increase in pension reserves.

#### **IV. PRIORITY: CREATE A CULTURE OF FISCAL RESPONSIBILITY**

While budget choices are difficult everywhere, New Jersey’s failure to prioritize long term fiscal health stands out among the states.

Tax expenditures are proliferating and seem to be awarded without due process, concern about their implications for fairness, or long-run state finances. New Jersey should:

- Revive/reconstitute the Governor’s Council of Economic Advisors to monitor interactions between the economy and the state finances.
- Develop a policy framework for providing tax subsidies through the EDA with focus on small to mid-size companies. The State should mandate better reporting on outcomes and improve evaluation.
- Produce multi-year financial plans, complete with debt affordability analysis.
- Institute requirements for development and maintenance of the state’s rainy-day fund (stabilization funds).

#### **CONCLUSION**

During the campaign, Governor-elect Murphy spoke about reimagining New Jersey and reigniting the innovation and infrastructure economy at its core. New Jersey voters have given him an opportunity to do just that. Any growth story, however, needs a strong fiscal foundation with a balanced budget as a first step. The Trump tax plan, in combination with the New Jersey’s budget uncertainties, make for a difficult “Day One” for the new governor. However, we have utmost confidence that this administration can bring New Jersey back to its glory days. We are thankful for the opportunity to recommend short and long-term comprehensive strategies and will make ourselves available for support and guidance.

Co-Chairs:

Dr. Henry Coleman  
Amy Mansue  
Mayor John McCormac  
David J. Rosen

Deputy Policy Directors:

Dini Ajmani  
Justin Braz

Committee Members:

Ted Beal; Matt Boxer; Tonio Burgos; Dale Caldwell; Tom Considine; Lord Quincy Dowdell; Scott Freda; Rudy Garcia; James Gee; Susan Giacalone; Gerry Gibbs; Bruce Goldman; Sheryl Gordon; Ryan Graham; Mike Gulotta; Seth Hahn; Mike Hanley; Mike McCarthy; Rev. Dr. Calvin McKinney; Analilia Mejia; Deanna Minus-Vincent; Joe Muniz; Salaheddin Mustafa; Doug Palmer; Joe Parisi; David Pascrell; Lillian A. Plata; Arlene Quinones-Perez; Joe Rutch; Mark Smith; Reverend Erroll Stoddard; Kabili Tayari; Richard Turner; Jon Whiten; Steve Wielkotz; Barry Zubrow; Christina Zuk.

The Governor, Lieutenant Governor, and the entire senior transition team staff greatly appreciate the immense amount of work, participation and expertise that all our co-chairs, committee members and deputy directors who staffed each committee provided since the transition began in November. This hard work and positive energy about how New Jersey can once again become a national leader has resulted in a robust set of recommended priorities and actions for the incoming administration to consider. As with any collaborative endeavor, many recommendations and opinions were expressed and debated during the committee meetings and the drafting of the reports by co-chairs, committee members, and Deputy Directors. The final reports may contain recommendations that do not reflect the concurrence of all co-chairs or committee members, nor of the organizations they represent. These reports are purely advisory and do not reflect the positions of the Governor-elect or any other elected official.



Report of the  
Education, Access, and Opportunity  
Transition Advisory Committee

Submitted to Governor-elect Phil Murphy and Lieutenant  
Governor-elect Sheila Oliver

January 1, 2018



## EXECUTIVE SUMMARY

The Education Transition Advisory Committee proposes that the Governor-elect consider the following recommendations to accomplish these priorities:

### K-12 EDUCATION

- I. Priority: Fully Fund the School Funding Reform Act (SFRA)**
  - i. Analyze the current school funding formula and release the results
  - ii. Review the funding formula's efficacy and recommend improvements
  
- II. Priority: Prepare every student for the 21st century with excellent and innovative public schools**
  - i. Encourage the State Board of Education to review and update its draft strategic plan
  - ii. Develop guidelines and standards for whole child development and growth
  - iii. Pause new charter school approvals and review current charter school regulation
  - iv. Expand and upgrade vocational-technical education
  - v. Develop a high-quality STEM education curriculum for all students
  
- III. Priority: Reassess the role of state standardized testing**
  - i. Reduce the role of standardized tests in teacher evaluations
  - ii. Decouple PARCC from high school graduation requirements
  
- IV. Priority: Train and attract excellent teachers**
  - i. Increase the diversity of our teaching population
  - ii. Provide incentives and training for those teaching hard-to-fill subjects or in under-resourced communities
  - iii. Create new opportunities for teacher leadership
  
- V. Priority: Increase the number of New Jersey communities offering high-quality pre-school**
  - i. Increase funding for early childhood education as soon as funds are available

### HIGHER EDUCATION

- I. Priority: Increase college affordability**
  - i. Start New Jersey on the path towards offering free community college
  - ii. Strengthen the Tuition Aid Grant (TAG) and Educational Opportunity Fund (EOF) programs
  - iii. Reform state student loans to alleviate debt burdens
  
- II. Priority: Increase college completion and enrollment**
  - i. Expand dual-enrollment programs and high school and college counseling services
  - ii. Provide in-school supports to increase retention and completion
  - iii. Improve credit transfer between New Jersey higher education institutions
  - iv. Measure progress using the NJ Earnings to Education Data System (NJEEDS)
  
- III. Priority: Increase opportunities for experiential learning and on-the-job training**
  - i. Create sector-specific apprenticeship programs
  - ii. Provide funding for low-income students to pursue unpaid internships
  - iii. Create an inventory of paid internships/practicums

## REPORT

### K-12 EDUCATION

#### I. PRIORITY: FULLY FUND SFRA

The School Funding Reform Act (SFRA) was enacted in early 2008. When the state Supreme Court deemed it constitutional, it was a landmark moment after 25 years of school funding litigation. SFRA is intended to make school funding predictable and progressive, but it has not been properly implemented. The state has underfunded the formula by over 9 billion dollars, and nearly three-quarters of students have not received their promised state aid. The Murphy Administration and the legislature should reduce the school funding deficit in an equitable and constitutional manner.

i. **Recommendation: Analyze the current formula and publicly release the results**

To ensure public understanding and support for a plan to fully fund the SFRA funding formula, the public needs to fully understand its long-term implications. Such an understanding begins by preparing a detailed report on the proposed funding for each district.

The formula should be used to inform the Governor's FY 2019 budget recommendations, even if financial constraints require that full funding may not be achieved immediately.

Fully funding SFRA is estimated to cost an additional \$900 million. For FY 2018, the state allocated \$7.9 billion in formula aid.

ii. **Recommendation: Review the formula's efficacy and recommend improvements**

After analyzing the school funding formula, the administration can then develop a long-term funding strategy. SFRA reviewers should pay special attention to adjustment aid, special education funding, and early childhood education funding.

Before the FY 2020 budget, this administration should announce its plans for the state to fund education in a progressive manner that alleviates property tax burdens.

#### II. PRIORITY: PREPARE EVERY STUDENT FOR THE 21<sup>ST</sup> CENTURY WITH EXCELLENT AND INNOVATIVE PUBLIC SCHOOLS

New Jersey has some of the nation's best public schools. However, there are nearly 700 school districts and enormous variation between them. The state's goal should be to deliver an effective education for all students, and it must implement this goal while understanding that economic opportunities and societal expectations are rapidly changing.

i. **Recommendation: Encourage the State Board of Education to review and update its draft strategic plan for education**

A draft Strategic Plan is awaiting approval by the State Board of Education. This administration should work with the State Board of Education and the Department of Education to review the draft plan, consult with stakeholders, align it to the priorities of the new administration, and adopt the revisions. The state plan review should also include an assessment of education department's structure and focus.

Special attention should be paid to reviewing the Quality Single Accountability Continuum (QSAC) and the school performance report card. The commissioner and state board should assess

the Department of Education's capacity to support and encourage school district quality and improvement.

**ii. Recommendation: Develop guidelines and standards for whole child development and growth**

The Department of Education should develop appropriate State Standards to support the development of well-rounded residents and encourage all our schools to develop a positive school culture and climate.

Our current NJ Student Learning Standards generally promote academic achievement. Any new or revised standards should promote social and emotional learning (SEL), as well as other 21<sup>st</sup> century "soft skills", as foundations for student success. SEL includes skills like self-control, perseverance, and reading social cues.

Accompanying guidelines should support the building of capacity in our schools to resolve conflicts through respectful and collective decision-making. It should also increase the usage of restorative justice, which replaces typical disciplinary methods (e.g., suspension) with discussions about why students misbehave, how it harms their peers, and the means of reconciliation.

In addition, the department should review and consider the inclusion of questions about adverse childhood experiences (ACE) in the state's Behavioral Risk Factor Surveillance Study, as done in several other states.

Finally, the guidelines should also ensure that our schools are inclusive and supportive of our State's diverse population.

**iii. Recommendation: Pause new charter school expansion**

New Jersey passed charter school legislation in 1995. Since then, critics and supporters of these schools have raised questions about their authorization, funding, admissions, and evaluation.

The Governor-elect should consider a pause on the creation of new charter schools. The commissioner should then review charter schools' history, their impact on New Jersey, geographic distribution, and best practices from other states with leading public education systems.

The commissioner should then make recommendations on the application, sanction, and closure processes.

**iv. Recommendation: Expand and upgrade vocational-technical education**

New Jersey has excellent vocational-technical schools in each county, but they have not received enough attention or support. They are currently turning away over 15,000 students annually, and many of their facilities now require significant upgrades.

The commissioner of education should develop strategies to help more students receive technical training and improve how these schools work with businesses. The department should also develop high-quality programs for these schools in fields like advanced manufacturing and information technology.

The department should also review teacher certification requirements, funding, and graduation requirements for students in vocational technical schools.

**v. Recommendation: Develop a high-quality STEM curriculum for all students**

As New Jersey seeks to recapture its role in the Innovation Economy, connecting public education to modern technological change is essential.

The State should collaborate with leaders in science and technology education to develop a curriculum that includes both advanced technical skills (e.g., coding) and skills that are difficult to automate (e.g., emotional intelligence, adaptability and collaboration).

The State should work with philanthropies and educators to develop a “computer science for all” initiative. Computing related jobs are growing at three times the national average, and yet only 40% of our schools teach computer science nationwide. Less than half of New Jersey’s high schools offer AP Computer Science. New Jersey must increase its investment in computer science teachers and pursue other creative strategies to expand computer science offerings.

**III. PRIORITY: REASSESS THE ROLE OF STANDARDIZED TESTING IN NEW JERSEY**

After No Child Left Behind and other federal initiatives spurred an increase in standardized testing, states have recently started to reflect on the impacts. A national study found that in major cities, students took an average of 112 tests between pre-K and 12<sup>th</sup> grade. Many states have reconsidered the role of tests in teacher evaluations, and the number of states that require testing for high school graduation has been cut in half. New Jersey has not been at the forefront of these efforts, despite significant grassroots activism against high-stakes testing. This administration should reconsider the state’s reliance on high stakes testing, and reduce the amount of class time spent in testing and test preparation.

**i. Recommendation: Reduce the role of standardized tests in teacher evaluations**

The Commissioner of Education should reduce the weighting of student performance on the PARCC used in overall ELA and Math grades 3-8 while updated teacher evaluation requirements are being formulated and implemented.

The Commissioner should review best practices for teacher evaluation nationwide and propose new approaches.

**ii. Recommendation: Decouple PARCC from high school graduation requirements**

The commissioner should develop new recommendations for high school graduation requirements, including multiple pathways towards graduation.

The State should create a task force to evaluate PARCC—its development, implementation, reliability, and fairness—and make recommendations for its successor.

New Jersey’s educational assessment system should be aligned to the Governor’s vision for New Jersey education, satisfy ESSA Requirements, be aligned to the NJ State Learning Standards, and provide reliable results.

**IV. PRIORITY: TRAIN AND ATTRACT EXCELLENT TEACHERS**

The work of teachers and education support professionals (ESPs) is essential to maximizing our children's opportunities. This administration should make clear that it respects and supports these professionals in order to attract and retain excellent teachers. Although New Jersey's teachers largely earn more than the national average, they are taking home less now than they did in 2010 and have to contend with our state's increasingly high costs of living. Teachers have felt marginalized as governments have bypassed the collective bargaining process. New teachers have also expressed the importance of meaningful professional development and career advancement that still lets them stay in the classroom. New Jersey has the potential to lead the nation in excellent teaching, and this administration should take every step to realize that opportunity.

**i. Recommendation: Increase the diversity of our teaching population**

Studies show that students learn better when their teachers reflect the classroom's diversity. New Jersey should improve outreach efforts to high schoolers and college students and encourage them to consider teaching in their community as careers.

New Jersey should also work to reduce bottlenecks for talented teachers from other states aiming to be certified here.

**ii. Recommendation: Provide loan forgiveness and other incentives for those teaching hard-to-fill subjects or in under-resourced communities**

Teacher salaries vary dramatically based on school district, and the average salary in the wealthiest suburban districts can be twice that of urban districts.

Students from poorer communities are also less likely to take STEM classes with teachers who have trained in appropriate fields.

This administration should immediately review where shortages exist, and introduce programs to address those gaps. These should include incentives like loan forgiveness or stipends. It should also include programs that train current teachers to fill the state's needs.

The State should consider expanding current programs or replicating other state's models if appropriate.

**iii. Recommendation: Create new opportunities for teacher leadership**

New Jersey should reduce teacher turnover by expanding district and statewide leadership opportunities for those in the classroom.

The Department of Education should introduce a "teacher liaison" position to make sure initiatives are being communicated to those most impacted. It should also create a policy fellowship program that allows teachers to create solutions for the problems they see daily.

The State should help districts expand teachers' roles. This might include creating career ladders that allow experienced teachers to remain in the classroom while getting paid for taking on additional responsibilities (e.g., mentoring, curriculum design).

**V. PRIORITY: INCREASE THE NUMBER OF NEW JERSEY COMMUNITIES OFFERING HIGH-QUALITY PRE-SCHOOL**

New Jersey has one of the country's best public pre-school programs, and the importance of early childhood education has been repeatedly reinforced by child development research. Unfortunately, less than 65 communities in New Jersey have high-quality, full day preschool for our state's three and four year olds.<sup>1</sup> Early childhood education is essential to an effective education system in New Jersey and should be a strategic priority for the Murphy Administration.

**i. Recommendation: Increase funding for early childhood education as soon as funds are available**

The Governor should provide a modest increase in early childhood education funding in the FY 2019 budget. This could in part be funded by philanthropic contributions or social impact bonds.

The education department should develop a long-term plan for fully funding early childhood education for all New Jersey families.

## **HIGHER EDUCATION**

### **I. PRIORITY: INCREASE COLLEGE AFFORDABILITY**

The costs of attending college have increased dramatically. Over the past two decades, the cost of New Jersey's four-year public schools have more than doubled. Since the great Recession, tuition costs have increased over 17% while state funding has declined by 20%. New Jersey is the country's biggest exporter of high school students, in part due to our high-cost colleges and universities. The Murphy administration should seek to make college more affordable.

**i. Recommendation: Start New Jersey on the path towards offering free community college**

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<sup>1</sup> This is even after the state spent \$25 million on pre-k in the 2018 budget. [https://prekourway.org/assets/Expand-NJs-Pre-K\\_Dec-2017.pdf](https://prekourway.org/assets/Expand-NJs-Pre-K_Dec-2017.pdf)

The Office of Higher Education should develop funding estimates and implementation plans for the New Jersey College Promise (for younger students who have recently completed high school) and New Jersey College Reconnect (for those re-entering the job market after a job change or long-term unemployment).

New Jersey should aim to begin implementation by the 2020 school year.

**ii. Recommendation: Strengthen the Tuition Aid Grant (TAG) and Educational Opportunity Fund (EOF) programs**

The departing Administration has continually threatened EOF, one of the most progressive aid programs in the country. The Murphy Administration should assess EOF's effectiveness and ensure it helps non-traditional students. Currently four out of 10 college students are older than 25, and approximately half are low-income. The Office of Higher Education should better facilitate connections between EOF students and social services.

The administration should review opportunities to increase TAG amounts and coverage, especially for part-time students. The State should no longer automatically deny TAG to students who have defaulted on loans.

**iii. Recommendation: Reform state student loans to alleviate debt burdens**

In addition to the Governor-elect's proposal to use the public bank to offer low-cost loans, HESAA should take immediate actions on student loan reform. These should include:

- Creating state income-based repayment (IBR) options and connecting New Jersey borrowers to federal IBR programs
- Requiring a court order in order for HESAA to garnish wages
- Introducing Income Share Agreements (ISAs) and other novel student loan financing ideas at New Jersey schools

**II. PRIORITY: INCREASE COLLEGE COMPLETION AND ENROLLMENT**

This country has made great strides in increasing college enrollment, and New Jersey is a national leader for residents with college degrees. In late 2017, the state launched a campaign to ensure that 65% of adults will have a post-secondary credential by the year 2025. Currently only 50.2% of New Jersey's workers have some level of education or training beyond high school. The Murphy Administration should commit to achieving this goal. New Jersey should aim to be the best state for supporting students to and through college, as well as re-engaging those with some credit but no degree. Completion initiatives should be closely tied to affordability initiatives.

**i. Recommendation: Expand dual-enrollment programs and high school and college counseling services**

Effective college completion initiatives depend upon good counseling in high school and college. NJ should improve counseling for high school and college students through on-line and in-person counseling. Such counseling will help students determine appropriate coursework and academic majors related to their interests and the labor market.

The State should also promote dual enrollment programs and increase their usage across the state.

The Office of Higher Education should review and potentially expand the College Readiness Now program.

**ii. Recommendation: Provide in-school supports to increase retention and completion**

According to a National Center for Public Policy and Higher Education brief, 32% of students entering the State’s four-year colleges and 70% of students entering our two-year community colleges require remediation. Lack of readiness for college is a major culprit in low graduation rates, and data has shown that a majority of students who begin in remedial courses never complete their college degrees.

New Jersey should immediately review and then adopt best practices from across the country. This includes guided pathways, co-remediation, and mentorship programs.

New Jersey should replicate the ASAP model (which includes free textbooks, intensive mentoring, and guided pathways) that has proven to be effective in New York City and is now being piloted in Ohio.

**iii. Recommendation: Improve credit transfer between New Jersey higher education institutions**

The State should review and improve the enforcement of the 2008 Lampitt Law, which is intended to ensure smooth transfers between community colleges and colleges and universities. The State should also endorse reverse transfer agreement legislation that enables people with the proper credits from a “four-year institution” to receive an associate’s degree.

**iv. Recommendation: Measure progress using the NJ Earnings to Education Data System (NJEEDS)**

NJEEDS is the state’s P20W (preschool through workforce) longitudinal data system. The system was created in 2012, and publicly launched at the end of 2016.

This will be the first administration that can fully use NJEEDS to track progress on achieving higher retention and completion goals and to improve guidance to students and counselors.

**III. PRIORITY: INCREASE OPPORTUNITIES FOR EXPERIENTIAL LEARNING AND ON-THE-JOB TRAINING**

Experiential learning, including paid internships and co-operative education are valuable components of post-secondary education that prepare young people for jobs. Such programs are particularly important for lower-income college students, who benefit from skill-building and connections, as well as income.

**i. Recommendation: Create sector-specific apprenticeship programs**

Expand workforce training initiatives to provide industry (rather than firm) specific training for high-growth fields. The State should aim to launch the first of these programs during 2018.

**ii. Recommendation: Provide funding for low-income students to pursue unpaid internships**



Student aid programs should support low-income students who are receiving credit/experience for internships with significant employment potential.

This could be funded through public private partnerships, or state-backed no-interest loans.

**iii. Recommendation: Create an inventory of paid internships/practicums**

Working in collaboration with higher education institutions, New Jersey should create a website/clearinghouse for internship opportunities for college students.

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The Governor, Lieutenant Governor, and the entire senior transition team staff greatly appreciate the immense amount of work, participation and expertise that all our co-chairs, committee members and deputy directors who staffed each committee provided since the transition began in November. This hard work and positive energy about how New Jersey can once again become a national leader has resulted in a robust set of recommended priorities and actions for the incoming administration to consider. As with any collaborative endeavor, many recommendations and opinions were expressed and debated during the committee meetings and the drafting of the reports by co-chairs, committee members, and Deputy Directors. The final reports may contain recommendations that do not reflect the concurrence of all co-chairs or committee members, nor of the organizations they represent. These reports are purely advisory and do not reflect the positions of the Governor-elect or any other elected official.



# Report of the Environment and Energy Transition Advisory Committee

Submitted to Governor-elect Phil Murphy and Lieutenant  
Governor-elect Sheila Oliver

January 1, 2018

## EXECUTIVE SUMMARY

The Environment and Energy Transition Advisory Committee proposes that the Governor-elect consider the following recommendations to accomplish these priorities:

### **I. Priority: A clean energy future for New Jersey**

NJ's economic future, and the quality of life of its residents, depends on the ability of our state to transform its power system. To achieve the Governor's goal of 100% clean energy by 2050, the committee believes that an essential step is for the Governor to jumpstart NJ's most promising new clean energy industry – offshore wind. Specifically, he should commit to the nation's largest offshore wind solicitation of 1,100 MW of electric power to bring new companies and jobs to NJ. Other urgent actions include stabilizing the state's solar market and utilizing 100% of the Clean Energy Fund to advance energy efficiency, grow the clean-energy economy, and drive down carbon emissions. Innovative financing options such as a State Green Bank and Green Bonds, which have been successfully used in NY and CT, should also be considered. The Governor should also transform the utility business model and regulatory framework to a performance and outcome-based system that includes a price on carbon. Finally, the Governor should utilize the recent Volkswagen (VW) settlements and the signing of the multi-state Memorandum of Understanding (MOU) on Zero Emissions Vehicles to serve as a springboard for the electrification of the state's transportation system.

### **II. Priority: Confronting climate change**

To address the crisis of climate change, the committee recommends that the Governor rejoin the Regional Greenhouse Gas Initiative (RGGI) and support strengthening the program. NJ should commit to the goal of reducing greenhouse gas emissions consistent with the goals of the Paris Climate Agreement and become the 16<sup>th</sup> state to join the U.S. Climate Alliance. The Governor should launch a similar partnership effort with NJ local governments to reduce pollution. The committee also recommends the Governor launch a "Coastal Resiliency Initiative," including identifying best practices and updating key environmental laws, such as CAFRA, to address the threats posed by climate change. He should reinstate the DEP Office of Climate Change, and end the State's embargo on climate science. Additionally, he should direct the DEP and DOE to work with stakeholder groups to advance statewide climate literacy programs in schools and promote "Green STEM" initiatives.

### **III. Priority: Addressing environmental justice disparities**

The committee recommends that the Governor address the disproportionate impacts of pollution and contamination with a comprehensive environmental justice (EJ) initiative by executive order that includes an Interagency EJ Task Force staffed with a Senior Advisor. Each agency should consider EJ issues in all of their actions, including analyzing cumulative impacts to reduce health disparities, and creating new initiatives to improve these communities' quality of life (open space, clean energy, walkways and bike paths). The Governor should dedicate a substantial portion of RGGI proceeds and the VW settlements to fund these initiatives. He should also launch a "Get the Lead Out" initiative that directs state agencies to coordinate efforts to reduce childhood lead exposure.

### **IV. Priority: Protecting New Jersey's water and natural resources**

The committee recommends that the Governor launch an aggressive and comprehensive initiative to upgrade the state's aging water infrastructure, including drinking, waste, and storm water. A critical component of this plan should be strengthening the state's stormwater regulations and other key environmental and planning rules, to harness natural systems or

“green infrastructure” to the maximum extent possible. The committee recommends that the Governor identify and pursue multiple financing strategies to address this issue, including consideration of a “pay as you go” approach with new revenue streams, bonding, and other creative financing strategies that prioritize asset management, and reward performance. Special attention should be paid to the public health threats posed by drinking water contamination.

The committee also recommends that the Governor reverse environmental rollbacks in DEP rules, and remediate toxic waste sites. He should ensure the State advances new environmental protections—potentially through a new Water Supply Plan—and renew the state’s commitment to open space, fish and wildlife protections, and parks (especially in urban areas), including opposing the further privatization of Liberty State Park. The state needs to steer growth and more importantly state policies and investments toward urban and near-urban areas. At the same time, our state’s natural treasures should be protected for all NJ residents, including the Highlands, Pinelands, the NJ shore and the Delaware River. He should also aggressively pursue natural resource damage cases and ensure settlement funds remediate local impacts. Finally, our ocean resources need unwavering protection from fossil fuel exploration and development.

## REPORT

### I. PRIORITY: ACHIEVING 100% CLEAN ENERGY BY 2050

New Jersey's national leadership on energy efficiency, solar, offshore wind, and other clean energy technologies was lost over the last eight years. These programs reduce costs and pollution, create well-paying jobs, and make our energy system more reliable and sustainable.

In sharp contrast, Governor Murphy has committed to an aggressive clean energy program. To achieve his goals, the State needs to harness the power of both public and private sectors. While government regulations and mandates are needed to create a clean energy future and protect public health, the state also needs to partner with businesses and local government to leverage private investment and harness new clean energy technologies—many of which are outside the “regulated market” and available at local stores.

#### i. Recommendation: Putting New Jersey on the path to achieving 100% clean energy

The Energy Master Plan (EMP) is the guiding document that outlines New Jersey's strategy for the use, management, and development of energy resources. The most recent EMP was released by the Board of Public Utilities (BPU) in 2011 and updated in 2015. This Plan needs to be substantially updated to reflect the goals and priorities of the Murphy Administration and help identify how to achieve them. The committee recommends that the Governor direct state agencies to begin updating the Energy Master Plan, with the goal of 100% clean energy by 2050.

NJ has fallen behind other states over the last eight years in harnessing the state's offshore wind resources. Considering NJ's natural advantages of having some of the best offshore wind resources in the world and its proximity to one of the nation's most congested and expensive electric load centers—NJ can become the dominant offshore wind player in the critical Mid-Atlantic market. By becoming a national leader in offshore wind the Governor can drive significant private investment, job growth, and pollution reduction. The committee recommends the Governor jump-start this industry by committing to the nation's largest offshore wind solicitation of 1,100 MW of electric power. The State should issue rules to advance offshore wind projects and establish a 3,500 MW goal by 2030. A range of mechanisms, including BPU orders, should be considered to help reach this goal. The administration should begin the development of an Offshore Wind Strategic Plan that engages stakeholders and focuses on: achieving scale to reduce costs, job growth, supply-chain businesses, workforce development, data collection, and appropriate siting of facilities. It also must ensure comprehensive planning and interaction with stakeholders, to address potential areas of concern including impact on wildlife, fish, birds, and habitat. In addition, we recommend convening a summit with NY and other nearby states, to coordinate the development of federal waters off our coast.

New Jersey was once the “solar capital of the east.” Unfortunately, we have lost substantial ground despite the fact that solar prices have significantly dropped. However, experts predict that the state solar market will soon collapse due to restrictions put in place by Governor Christie (creating the so-called “solar cliff”). To support needed solar expansion, the committee recommends that the new administration ensure the continued expansion of the industry, while developing a long-term path for growth. The administration should also work to ensure that New Jersey regains its status as a national leader in solar energy production and job creation. We recommend a specific focus on advancing community solar projects (which should include

providing benefits directly to low-income housing) to reduce costs and ensure that all consumers benefit.

To achieve the 100% by 2050 clean energy goal, the State needs to harness the power of the public and private sectors. While government regulations and mandates are needed to create a clean energy future and protect public health, the state also needs to partner with businesses and local government to leverage private investment and harness new clean energy technologies—many of which are outside the “regulated market” and available at local stores. The committee recommends two key strategies:

First, the administration should set an energy-savings goal and promote investments in energy efficiency (including combined heat and power), with a focus on low-income households and communities of color. Energy-efficiency goals (including appliance standards) should also be detailed in the Energy Master Plan.

Second, the Governor should direct the BPU to transform the utility business model and regulatory framework into a performance and outcome-based system that harnesses both utilities and non-regulated companies to drive key goals.<sup>1</sup>

Numerous infrastructure proposals—including oil by rail, natural gas pipelines, and electric transmission lines—have been permitted in recent years or are pending throughout New Jersey. The committee recommends that the Governor require these projects demonstrate whether there are market-based, cost-effective and clean alternatives (to delay or avoid the project). The committee recommends that the DEP use its full authority under the Clean Water Act and state regulations when reviewing these projects, and reject permits that do not meet the strict standards. Special attention should be focused on New Jersey’s ecologically sensitive areas including the Pinelands and Highlands and our marine environment.

New Jersey’s building codes are outdated. The committee recommends that the Governor direct the appropriate agencies to update the state’s outdated building codes. This should include ways to promote healthy buildings to reduce air pollution and lead poisoning and advance other goals such as reducing peak-energy use. Peak-energy use is a critical issue that can be reduced through a variety of approaches, including demand response, smart grid, building energy management systems, renewable energy requirements (either grid-tied or distributed), battery storage, and the reduction of plug load.

Under the Christie Administration over \$1.5 billion was diverted from the state’s clean energy fund to fill budget shortfalls. The committee recommends the Governor utilize 100% of the clean energy fund to advance energy efficiency, grow the clean-energy economy, create clean-energy jobs and drive down carbon emissions. A portion of RGGI revenues could also be dedicated for these purposes. To advance these initiatives, the state should consider innovative financing options such as a State Green Bank and Green Bonds which have been successfully used in NY and CT to leverage private investment. Additionally, other mechanisms to support clean jobs should be

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<sup>1</sup> These goals include: (1) protecting ratepayers, especially low-income, by driving down costs (e.g., reducing peaking costs, increasing total system efficiency) and adopting new technologies that make the grid more sustainable, (2) empowering customers to control their energy choices with competitive offers for new energy products and services, (3) making energy efficiency the state’s first energy resource, (4) creating a 21<sup>st</sup> Century “smart, bidirectional, and resilient electric grid” that avoids unnecessary new power lines, increasing the use of distributed energy resources and demand response as a resource, and the electrification of transportation (EVs) and efficient home heating, (5) increasing the use of renewable energy in support of the Governor’s 100% clean energy by 2050 goal, (6) supporting the Governor’s goal of 600MW of energy storage by 2021 and 2000MW of storage deployed by 2030, and (7) setting a “social cost of carbon” price that guides the government’s decisions.

considered, including incentives to entice clean-energy companies to locate and/or stay in New Jersey and establishing preferences (for example, when bidding for government projects) for materials sourced from within New Jersey or the United States.

**ii. Recommendation: Creating a 21<sup>st</sup> century clean and accessible transportation system**

To create a 21st century clean and accessible transportation system, the new administration should prioritize NJ Transit as a critical clean-energy and environmental strategy. The committee suggests that the Governor seek opportunities to clean and electrify the state's transportation system. To leverage the strength of the Northeast regional market, the committee also recommends that the Governor sign the eight-state Memorandum of Understanding on zero emissions vehicle deployment, and explore regulatory programs to enable electric vehicle expansion, including specific utility tariffs. We recommend that he announce a plan to use a substantial portion of the Volkswagen settlement funds to support electrification and diesel emission reductions, especially at the ports. Additional programs should be considered for emissions reduction opportunities, including participation in the regional Transportation and Climate Initiative.

**II. PRIORITY: RESPOND TO THE THREAT OF CLIMATE CHANGE THROUGH AGGRESSIVE MITIGATION INITIATIVES AND ENACTING RESILIENCY AND ADAPTATION STRATEGIES**

Climate change is one of the greatest threats facing our state, today and in the future. Unfortunately, the Trump Administration has taken steps to stop U.S. participation in the Paris Climate Agreement and the EPA Clean Power Plan. New Jersey must step forward to fill this leadership vacuum by working to reduce emissions and to mitigate the impacts of climate change.

**i. Recommendation: Reduce global warming emissions across all sectors**

A decade ago, New Jersey took important initial steps by passing the Global Warming Response Act. However, the Christie Administration failed to implement key components of the Act and reversed important policies including NJ's participation in the Regional Greenhouse Gas Initiative (RGGI), a successful cap-and-trade agreement to reduce carbon pollution in the Northeast. By withdrawing from RGGI, it is estimated that New Jersey has lost about \$130 million in revenues. The committee recommends that one of the Governor's first acts should be to rejoin RGGI, with a portion of the revenues dedicated to emissions reduction programs in low-income communities and communities of color.

The Global Warming Response Act set a mandate of reducing Greenhouse Gas emissions (GHG) by 80% by 2050. As of 2012, New Jersey had achieved about 22% of this important goal, but currently lacks any strategies to meet the larger emission goals. The committee recommends that the incoming administration utilize the energy master planning process to identify existing gaps in the implementation of the Global Warming Response Act and develop a comprehensive strategy for achieving targeted emissions reductions. This should include reporting and establishment of interim targets. In addition, the administration should make an early and public commitment to restoring New Jersey's climate leadership by joining the United States Climate Alliance and signing the "We Are Still In" declaration.

The Christie Administration has demonstrated its lack of commitment to addressing the causes and impacts of climate change in a number of significant ways, including an unofficial "embargo" on climate science and by eliminating the Office of Climate Change and Energy



at the DEP. The committee recommends that the Governor reinstate the Office of Climate Change. He should lift the state's "embargo" on climate science and work with Rutgers and other universities on sharing information about climate change. Science-based decision making across state government should be reinvigorated, including the updating of websites and other state resources to properly inform the public about climate change and its risks.

**ii. Recommendation: Make New Jersey resilient to the impacts of climate change**

While pursuing emissions reductions, New Jersey must also focus on strategies to protect our state from the effects of climate change, including flooding, extreme weather, and temperature rise.

The committee recommends that the Governor launch a "Coastal Resiliency Initiative" and convene expert climate change leaders to recommend actions to strengthen NJ's coastal management programs, considering climate change, sea level rise, and the need to reduce vulnerability and increase resiliency of both the natural and built communities. A critical component of this initiative should include updating key environmental laws, such as CAFRA, to address the threats posed by climate change. To promote coastal resiliency, the committee recommends that the Governor utilize Blue and Green Acres programs to increase resiliency, reducing flooding, and recover the function of estuaries to improve fisheries and habitat restoration and protection. In addition, the new administration should establish a clearinghouse to gather best practices from other states and input on climate resiliency from around the state and the country, and use that expertise as a basis for successful community engagement, planning, and recommendations for new policies and legislation. Finally, the DEP should re-examine its administrative ban on shellfish research, restoration, and education programs, and include input from all stakeholder groups.

This initiative should also provide guidance on incorporating the latest science on climate change impacts into all state planning and decision-making processes. It should evaluate using a percentage of RGGI revenues for carbon sequestration projects, such as salt marsh restoration. This initiative should consider promoting nature-based adaptation solutions, such as stream restoration, reforestation, and dam removal.

When federal funds are available to support storm recovery and response, New Jersey must fight for every dollar in federal disaster relief and mitigation support, practice transparency in awarding funds, and ensure that all decisions are made to maximize the public interest. The committee recommends that the Department of Community Affairs undertakes a prompt review of the State's Rehabilitation, Reconstruction, Elevation and Mitigation program to improve support for homeowners and address significant remaining issues from Superstorm Sandy, including claw backs and contractor fraud.

Over the last eight years, the state has not partnered with local governments and school boards to leverage and maximize their spirited commitment to environmental protection, climate action, and sustainability. Other states such as NY (resilient communities), have specific recognition programs to channel this "can do" and local practical approach to global and national problems. The Governor should conduct a roundtable discussion with county and local government officials, school board members, and NGOs to advance partnerships on key issues such as climate-change mitigation and adaptation, water systems, environmental education, and waste reduction. This initiative could include asking these stakeholders to commit to local goals with specific local actions that could help meet larger statewide goals. Additionally, to ensure the long-term success of these programs and position our students for leadership in the clean-energy economy, DEP and DOE should work with the NJ School Board Association, the New Jersey Education Association, environmental education

organizations, and other stakeholder groups to advance climate literacy and promote “Green STEM” initiatives.

### **III. PRIORITY: TO ADDRESS ENVIRONMENTAL JUSTICE AND HEALTH DISPARITIES IN NEW JERSEY’S LOW-INCOME COMMUNITIES AND COMMUNITIES OF COLOR**

Since the passage of several key environmental laws in the 1970s, many strides in environmental protections have taken place to improve public health. However, there are many low-income communities and communities of color who are overburdened with air and water pollution and hazardous chemical storage and exposure—leading to disproportionate health impacts (including asthma and other respiratory ailments).

The committee recommends that the Governor promote environmental justice as a core principal. The goals of these recommendations are to promote equity and inclusion across all departments and programs, promote environmental justice, and reduce the environmental and health hazards that disproportionately impact low-income and communities of color.

#### **i. Recommendation: Create an Office of Equity and Environmental Justice**

In order to ensure EJ becomes a critical principle of the new administration, the committee recommends that the Governor issue an executive order creating an Office of Equity and Environmental Justice. The committee recommends that this include appointing a Senior Environmental Justice Advisor, who would direct an open public process with the EJ Task Force and host roundtables throughout the state for meaningful engagement with stakeholders on environmental concerns and solutions. The committee recommends that the Governor direct each agency to consider EJ issues in all their actions, including cumulative impacts, reducing health disparities, improving the quality of life in EJ communities (i.e. access to open space, clean energy alternatives, walkable/bikeable streets and public health benefits).

The committee also recommends that the Senior EJ Advisor develop protocols for meaningful stakeholder engagement processes, data collection, and data sharing, for all agencies. The Governor and his staff should consider potential federal grants and private foundations as a source of funding to provide resources and technical support to assist individuals and organizations who historically have not been able to participate equitably in such processes (e.g. City of Portland, Oregon’s Climate Equity initiative).

This Senior EJ Advisor should also draft guidance to incorporate EJ principals into the State Energy Master Plan and other priority initiatives. Relevant agencies should be required to issue annual updates. In conjunction with other agencies, this Advisor should develop plans to reduce health disparities such as high incidence of asthma and elevated childhood blood lead levels in EJ communities.

Finally, the state should align EJ principals with this administration’s workforce development initiatives. The state needs to incorporate opportunities to train or retrain local workers through certified programs at NJ Community colleges and other institutions - on solar and wind installation jobs, toxic site remedial work, electric vehicle repair/mechanics and other innovative opportunities.

#### **ii. Recommendation: Reduce air and water pollution in environmental justice communities**

The health and environmental impacts of increased air pollution within EJ communities is a major public health concern. Within the first 100 days, the committee recommends that the Governor direct state agencies, partnering with academic institutions, to develop a plan for an air emissions reduction program in urban areas. This should include a comprehensive emission reduction plan at NJ's ports, which includes electrification of vehicles, equipment, and ships in port. . The committee recommends that the Governor push to increase the NY/NJ Port Authority Port Division's budget to establish community and diesel mitigation programs. The State should also seek to re-establish the Port Authority's ban of pre-2007 engine trucks on a fast-track timeline. Additional funding could include the Volkswagen settlement, and ongoing funding could be maintained through a combination of RGGI and other environmental funds.

Many of our low-income and communities of color have multiple sources of pollution and threats to their health. To fully understand and develop plans to reduce emissions and public health threats, the committee recommends that the Governor direct the DEP to immediately update and resurrect the EJ Screening Tool, which will help identify these areas with severe pollution loading and cumulative impacts. The DEP should then release maps identifying overburdened communities. The Senior EJ Advisor should task agencies to evaluate mechanisms to direct resources to these areas to reduce pollution. They should identify key gaps that require new protections and funding (using indicators such as pollution burden and health disparities), and target assistance—including funding (such as RGGI revenues), public hearings, additional resources, and enforcement actions—to these areas.

The Senior EJ Advisor should develop Environmental Justice Benefits Policy/Guidance to ensure that agencies (e.g. DEP) fully consider low-income and disproportionately-impacted communities before taking a final action on new or modified permits (as done in Newark and other states), and consider support legislation which would codify environmental justice considerations (i.e. cumulative impacts, health impact analysis, EJ areas of concern).

Finally, there are over 5,000 facilities in New Jersey that utilize hazardous chemicals and many of them are concentrated in EJ communities. It is critical to protecting public safety that these facilities develop effective Emergency Response Plans. The federal Emergency Planning and Community Right to Know Act (EPCRA) requires that citizens be allowed to review these plans, which must be updated annually. However, these provisions have not been enforced. Therefore, the committee recommends that the DEP be directed to notify all facilities subject to EPCRA to file and report compliance by January 1, 2019.

**iii. Recommendation: Launch a statewide “Get The Lead Out” initiative to reduce lead poisoning**

Childhood lead poisoning and exposure remains a significant problem in New Jersey. New Jersey's old housing stock still poses a significant risk, especially from lead paint. Old drinking water systems also pose a risk. We recommend that the Governor issue an executive order to direct agencies to coordinate efforts to reduce incidence of childhood lead poisoning and provide improved services for children already affected. This should include updating the NJ Strategic Plan for Healthy Homes and revising the NJ Annual Lead Surveillance Report to be more transparent with maps and cumulative data on population effects.

This effort should include Children and Family Services staff receiving the latest training on lead poisoning and should work with clients to address issues. The Department of Education should enable children with lead levels  $\geq 5$  ug/dL to be enrolled in the federally funded Child

Find that provides services for those with special needs. We should explore opportunities to leverage additional CHIP (Children’s Health Insurance Program) funding to protect low-income children from lead. Specifically, the State should pursue a Health Services Initiative (HSI) to secure enhanced federal funds for lead abatement activities, including lead exposure testing, prevention, and abatement—as several other states have done. Finally, New Jersey should require that the Department of Education and DEP review the most recent reports on public and charter school testing protocols and compliance with the US EPA’s Lead and Copper Rule.

#### **IV. PRIORITY: PROTECT NEW JERSEY’S PRECIOUS NATURAL RESOURCES**

The protection of our open spaces, water resources, unique ecosystems, and ocean environment has been either neglected or actually rolled back during the past administration. We must act aggressively to preserve and protect our natural resources and quality of life.

##### **i. Recommendation: Water resources protection**

New Jersey’s drinking water supplies face a number of serious threats including contamination from dangerous chemicals. The committee recommends that the Governor immediately direct the NJDEP and NJDOH to evaluate and address the threat from drinking water contamination including Perfluorinated Compounds (PFCs), related PFC chemicals, and other pollutants. The State should identify hot spots, consider pursuing Natural Resource Damages and other legal actions and create a comprehensive plan to address contamination. The state should also adopt standards and Health-Based Maximum Contaminant Levels (MCL) for water quality recommended by the Drinking Water Quality Institute for PFCs and related chemicals. In addition, the committee also recommends that he revitalize efforts to protect our largest sources of drinking water including the Highlands, Pinelands, and Passaic and Raritan Rivers and Delaware River Watershed.

New Jersey’s aging and failing water infrastructure is one of the most significant challenges facing our state, resulting in combined sewer overflows that result in raw sewage in our waterways, water main breaks, and localized flooding. NJ’s water infrastructure is in urgent need of improvements. The committee recommends that the Governor launch an aggressive and comprehensive initiative to upgrade the state’s aging water infrastructure, including drinking, waste, and storm water. A critical component of this plan should be strengthening the state’s stormwater regulations and other key environmental and planning rules to harness natural systems or “green infrastructure” to the maximum extent possible. From simple and low-cost solutions, such as increasing rain gardens, green (vegetative) and blue roofs (holding tanks), and planting trees, to more sophisticated systems (e.g. nonstructural solutions), the goal is the same: divert, retain, and treat stormwater. Such actions have multiple benefits to the community from improving quality of life, to increasing climate change resiliency and reducing pollution.

While regulations and planning tools should be prioritized, according to the U.S. EPA the State needs to spend a combined \$25 billion over the next 20 years on its wastewater, stormwater, and drinking-water infrastructure to ensure reliability and keep up with demand. The good news is that a significant investment into the state’s water infrastructure will create jobs and economic activity. The U.S. Bureau of Economic Analysis has found that every \$1 spent on water infrastructure leverages another \$2.62 in annual economic activity. The committee recommends that the Governor identify and pursue multiple financing strategies to address this issue, including consideration of a “pay as you go” approach with new revenue streams, bonding, and other creative financing strategies that prioritize asset management,

and reward performance. Many other states could be models, including CT, NY, MA, CA and cities such as Philadelphia. Some creative financing ideas that should be specifically explored include: the federal Water Infrastructure Finance and Innovation Act (New Jersey did not submit an application to this \$2 billion fund), Environmental Impact Bonds (DC Water issued bonds with a “Pay for Success” model, in which payment to the private sector by the public entity is based on measured outcomes), and waste-to-energy programs (converting bio-solids into energy and selling the energy).

We also urge the Governor to support legislation that allows for the creation of local and regional stormwater utilities and subsequent user-fee collection, to support infrastructure and management, as well as “Sewage Right to Know” which requires reporting of sewage discharges and development impact fees. Finally, we urge the Governor to work with USEPA to meet the 2020 deadline for CSO “long-term control plans” with strong “alternative analysis” processes. Other suggestions include: as with other municipal boards, require clean-water orientation for first-term officials, review water and wastewater licensing requirements and consider a retiree status license and allowing greater reciprocity between states.

The Christie Administration rolled back essential clean water protections, while at the same time, failed to address current threats to our water quality and quantity. The committee recommends that Governor Murphy freeze all pending DEP rule proposals, including Freshwater Wetlands, Coastal Zone Management, and Coastal Area Facility Review Act (CAFRA) rules, until they can be thoroughly reviewed to ensure strong environmental protections are in place. He should order the DEP to review all water regulations that have been weakened over the last 8 years and reverse any rollbacks to those protections including groundwater, Flood Hazard Act and Water Quality Management rules, the Waiver Rule, Highlands Septic Density rules, and Surface Water Quality standards. He should direct the DEP to revise Water Allocation rules, begin to prepare Total Maximum Daily Loads (TMDLs) for all unaddressed water bodies and strengthen anti-degradation designations for water bodies, and adopt long-awaited reforms to the rules governing pumping of the aquifers - to ensure truly sustainable levels of withdrawals. In addition, a list of potential C1 stream and corridor classifications (the highest level of protection under the Clean Water Act) was created approximately 8 years ago but not has seen no advancement. The DEP should be directed to move forward on these designations, placing a priority on those that will protect drinking water.

Additionally, the Governor-elect should direct the NJDEP to update the state Water Supply Plan and ensure that it targets investments to address the state’s sewage, drinking water, and other critical infrastructure which needs significant upgrading, especially in the state’s urban core, and include reducing lead exposure.

**ii. Recommendation: Preserving our open spaces**

New Jersey continues to lose critical open space. It is estimated that New Jersey will be deemed ‘fully built out’ in the next 30 years. The committee recommends that the Governor utilize 100% of constitutionally dedicated open-space funds for their intended purpose. We recommend that the Governor request a review of the distribution of open-space funding over the past 8 years—from the Garden State Preservation Trust, NJDEP Green Acres Program, State Agricultural Development Committee, and the NJ Historic Preservation Trust. The Governor should also request reports of appropriations, expenditures, and acres preserved, by municipality, to ensure that an equitable distribution of the State’s funding has occurred.

We recommend that the Governor initiate a comprehensive planning process for the management of state and other public lands to better protect the State's rare animals, plants and critical habitats, and other natural, scenic, historic, and recreational resources.

The committee suggests that the Governor announce a halt to these efforts to privatize our only state urban park. Additionally, the development of Capital City State Park should be announced, using CBT, Natural Resource Damage settlement funds, and NJ Environmental Infrastructure Trust funding. The committee also recommends that the new Administration review the current plan to deck over Route 29, to ensure that this strategy is the most viable and effective design to reconnect the Capital Complex to the Delaware River. Additionally, DEP should prioritize creating additional urban parks, in places like Camden, Paterson, and Newark.

An additional strategy to protect natural resources is to aggressively pursue Natural Resource Damage (NRD) claims. These cases can help fund needed environmental restoration and protection projects. The committee recommends that the DEP Commissioner and the Attorney General work together to aggressively pursue NRD cases, enforcement, and other litigation against polluters. NRD monies should be directed at the communities impacted and surrounding areas.

**iii. Recommendation: Smart growth and urban planning**

The state's development pattern has shifted. Companies and millennials want to locate and reside in "livable cities," not as much in new office parks and "mac-mansions" in rural areas. The State needs to steer growth and more importantly state policies and investments toward these urban and near-urban areas. The committee recommends that the next planning process should be both more ambitious and less specific than the state land-use plans of the past. An effective state planning process would engage the public, but not be so onerous that it cannot get implemented within an appropriate time period. It should go beyond aspirations of protecting open space, and envision sustainable and just outcomes for housing, education, energy, transportation, and the environment. The Committee recommends that the next governor should consider it to be an evolving set of guiding principles for directed and equitable growth. Preliminary steps could include filling the open seats on the State Planning Commission with committed, proficient, and diverse members and convening regular, transparent meetings. Many additional steps toward this goal are detailed in the Urban Growth Transition Report.

The committee recommends that the Governor call on the appropriate agencies to update and improve the state's key planning initiatives and regulations, including the State Plan, CAFRA rules, Shore Protection Master Plan, and stormwater management.

National studies have determined that about 25% of housing demand in the near future will be for residences within a half mile of train stations. The committee recommends that the Governor direct technical assistance to communities that are working to develop Transit Oriented Development (TOD) areas, which prioritize redevelopment around rail stations and incorporate green infrastructure, green streets and parks. This recommendation, which is consistent with the suggestions of the Urban Growth Transition Committee, will catalyze the development of healthy, walkable communities.

**iv. Recommendation: Protecting our ocean and coast**

Coastal tourism in New Jersey generates over \$22 billion annually, however no laws currently protect our ocean from harmful proposals for oil and gas development. The committee recommends that the Governor should express vehement opposition to exploration, development, and extraction for fossil fuels off the shores of New Jersey.

NJ beaches remain a top destination for millions of our state's residents. Despite decades of lawsuits, all too often the public does not have access to the shore. Due to new beach development and some municipalities creating obstacles to full access, this problem has gotten worse over the last eight years. The committee recommends that the DEP maximize its permitting and regulatory authority to ensure beach access. In addition, the state should consider encouraging municipal public access planning, requiring that all publicly funded projects provide access, and studying alternate sources of access, operation, and maintenance funding.

Plastic waste continues to plague our communities with litter and extra solid waste. In addition, some of this plastic ends up in our waterways and ocean causing serious harm to wildlife and natural areas. The committee recommends that the Governor support municipalities that want to impose fees or bans on plastic bags. Pilot waste-reduction programs could also be initiated for local food businesses.

**v. Recommendation: Preserving unique and treasured areas & historic sites**

All of NJ's natural resources are important, from backyards to local parks to preserved farmland. The state has a specific responsibility to protect areas that have unique characteristics such as the Highlands, which provides drinking water for over five million people, or the Pinelands, which is designated as a U.S. Biosphere Reserve by UNESCO. The committee recommends that the Governor ensure NJ's natural treasures including the Shore, Barnegat Bay, Highlands, Pinelands, Delaware River Watershed, Sourlands, Delaware Bayshore (including Cape May), the Palisades, and Meadowlands receive special attention and if necessary, extra protections. For the areas that already have legal protections, the committee recommends that the Governor appoint people to these entities consistent with their conservation mission and respect their independence to protect these critical resources. For areas that don't have special legal protection, the DEP should conduct studies on each area to determine if and what additional protections are needed.

Due to the unique circumstances of the Delaware River watershed which borders Pennsylvania's fracked natural gas resource, the committee recommends that the Governor support a ban on fracking for natural gas in New Jersey as well as the storing of fracking waste, and use all his authority with the Delaware River Basin Commission to ban fracking in the entire Delaware River Watershed.

New Jersey also needs to protect historic buildings and landscapes to protect the fabric of our communities. The committee recommends that the Governor consider supporting legislation to create a Historic Preservation Tax Credit to incentivize the preservation and restoration of our historic sites as opposed to demolishing them in favor of new construction.

**vi. Recommendation: Protecting public health**

New Jersey has the greatest number of Superfund toxic waste sites in the country. The committee recommends that the Governor oppose any effort to undermine the Superfund program. He should urge the Trump Administration to continue or expedite the current cleanups underway, without weakening remedial plans. He should direct the DEP to support the listing of the Hackensack River on the National Priorities List (Superfund list).

New Jersey's Licensed Site Remediation Professionals (LSRP) program was created to address the enormous backlog of toxic sites needing remediation in our State. The committee recommends that the DEP thoroughly review this program. The DEP should be directed to conduct this review, with input from stakeholders, to address some of the program's shortfalls and make improvements where necessary to ensure public health is protected, and assist in moving through the remedial action process more swiftly and efficiently.

The DEP Science Advisory Board (SAB), created to provide research and discussion for sound, science-informed decision making, has languished under the Christie Administration. The committee recommends that the DEP Commissioner meet with the SAB and determine how best to revive it and utilize its expertise.

The Christie Administration worked to undermine important environmental safeguards for New Jersey by passing Executive Orders 1 and 2 which, respectively, made it extremely difficult for the State to pass more stringent regulations than the federal government and ordered a freeze on numerous proposed regulations and rules. The committee recommends that the Governor repeal the relevant parts of these executive orders.

**vii. Recommendation: Improving New Jersey's urban environment**

Green infrastructure improves residents' quality of life, and increases economic activity and property values. The committee recommends that the Governor encourage urban green-infrastructure projects, including urban forestry and street tree plantings which help to cool neighborhoods during hot summer days, as well as pollinator, pocket, and rain gardens to ameliorate flooding and reduce flows into Combined Sewer systems. He should also promote and implement walkable/bikeable communities to help get people around without automobiles.

Aside from staffing, funding for green infrastructure—including parks, land preservation, urban forestry, raingardens, and other storm water system investments—can be derived from the Corporate Business Tax through the Green Acres Program, NJ Environmental Infrastructure Trust, Natural Resource Damage Claims, Supplemental Environmental Projects and the Clean Energy Fund. Additionally, millions of dollars in federal grant funding pass through the NJDOT for Complete Streets and Bike trail projects. This funding needs to be processed more efficiently to get more projects done.

**viii. Recommendation: Protecting New Jersey's fish and wildlife populations and habitat**

The committee recommends that the DEP use the best available science to make decisions with an eye towards ensuring a sustainable natural environment that provides long-term benefits for our state and its residents, wildlife, habitat, and water. Revegetation of stream corridors, improved management of public lands and the state's deer population, removal of dams blocking fish migration, and ecological restoration of beaches and salt-marshes have all been shown to make significant contributions to the environment of New Jersey. The committee recommends that the Governor partner with and leverage the significant resources



of other collaborators including local government, non-profit organizations and for-profit corporations.

Sadly, some of our rarest and most important wildlife species have declined to near extinction and have been ignored for many years. Over the past 8 years, the Endangered and Nongame Species Advisory Committee (ENSAC) has approved and submitted seven separate and important approved species status update lists, ready for the DEP to publish in the NJ Register, so that the various declining species could gain various levels of protection. Unfortunately, none of the seven lists have been moved forward. The committee recommends that these updates be reviewed by the DEP and decided on as soon as possible.

Unfortunately, New Jersey's fisheries management has been short-sighted and reduced the economic viability of our marine fisheries. Over the last eight years, DEP has evaluated each species independently of all others using a "single species" management approach. Beach replenishment, sand mining, non-point source pollution, overdevelopment, climate change, and many other factors impact the abundance of fish available for recreational and commercial fishing. New Jersey ranks near the top of the states for the number of people who fish, while remaining near the bottom of funding for fisheries management on the East Coast. The committee recommends that the Governor support science-based policies that result in "an abundant fishery" (or optimal yield) rather than "maximum sustainable yield." Annual catch limits should include strong accountability measures. The committee also recommends that New Jersey adopt an ecosystem management approach. This is particularly important for forage species like Atlantic menhaden.

As with fisheries management, DEP plays a critical role in managing NJ's Black Bear population. The committee recommends that the DEP convene multiple roundtable discussions with local communities and all stakeholders with the mission of identifying nonlethal approaches to managing the black bear population. Strategies could include improving educational programs (e.g. not feeding bears, securing garbage, and removing bird feeders) and enforcement of existing laws. The DEP should also review all available black bear data—including nuisance complaints, population numbers and distribution, and enforcement actions—and research worldwide best management practices. The committee recommends that the DEP issue a report on the result of the roundtable discussions and research to the Governor to inform his call for a bear hunt moratorium. While black bear population management has become a high profile wildlife management issue, deer overpopulation is a public health concern (Lyme disease, car accidents, etc.) that has resulted in serious environmental damage as well. The committee recommends that the DEP Commissioner review the Fish and Game Council's authorization of the enclosed foothold trap to determine if it is inconsistent with legislation that banned steel-jaw leghold traps in 1984. The State should actively support the humane treatment of all animals.

Last but not least, the committee recommends that the Governor address the severe decline in pollinators across NJ and the nation by creating a Pollinator Recovery Plan. Such a plan should be led by the DEP and supported by other state agencies, universities, non-profit organizations, municipal leaders, and commissions. The Plan should focus on species restoration, habitat protection, impacts of climate change, and pollinator/hive collapse, and should include a review of the use of neonics and other pesticides that impact wildlife and human health.

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The Governor, Lieutenant Governor, and the entire senior transition team staff greatly appreciate the immense amount of work, participation and expertise that all our co-chairs, committee members and deputy directors who staffed each committee provided since the transition began in November. This hard work and positive energy about how New Jersey can once again become a national leader has resulted in a robust set of recommended priorities and actions for the incoming administration to consider. As with any collaborative endeavor, many recommendations and opinions were expressed and debated during the committee meetings and the drafting of the reports by co-chairs, committee members, and Deputy Directors. The final reports may contain recommendations that do not reflect the concurrence of all co-chairs or committee members, nor of the organizations they represent. These reports are purely advisory and do not reflect the positions of the Governor-elect or any other elected official.



Report of the  
Government Technology and Innovation  
Transition Advisory Committee

Submitted to Governor-elect Phil Murphy and Lieutenant  
Governor-elect Sheila Oliver

January 1, 2018

## EXECUTIVE SUMMARY

The Government Technology and Innovation Transition Advisory Committee proposes that the Governor-elect consider the following recommendations to accomplish these priorities:

- I. Priority: Upgrade the government's technology infrastructure**
  - i. Evaluate the state's Information Technology systems and develop RFPs for security and functionality upgrades within the first six months
  - ii. Review and improve upon Executive Order 225, which centralized IT operations and decentralized software functions
  
- II. Priority: Improve e-government services for New Jerseyans**
  - i. Require agencies to provide additional online service-delivery options for services that are currently offered in-person and via paper mail
  - ii. Create a user-friendly mobile app that allows New Jerseyans to interact seamlessly with multiple government agencies
  - iii. Examine converting state-operated 800 numbers to the NJ 211 platform
  - iv. Appoint a service delivery director and create a statewide e-government strategic plan
  - v. Improve access to government data to increase transparency and evidence-based decision-making
  
- III. Priority: Strengthen links between our universities and innovative sectors**
  - i. Publicize our universities' intellectual property assets and assist with their commercial distribution
  - ii. Create an innovation competition for faculty and students to generate solutions to statewide problems
  
- IV. Priority: Attract and retain high-tech talent and investment in New Jersey**
  - i. Create a fellowship program to boost New Jersey's government technology and attract talented professionals to work in state government
  - ii. Establish a STEM-specific student-loan forgiveness program
  - iii. Encourage all public schools to expand computer science programs
  - iv. Pursue strategies to jump-start the innovation economy
  
- V. Priority: Foster tech hubs and incubators, and expand access to secure internet**
  - i. Expand high-speed internet access to all of New Jersey's rural and urban communities
  - ii. Enforce a safe and equal internet for all residents
  - iii. Build tech incubators in vacant office space owned by government entities

## REPORT

### **I. PRIORITY: UPGRADE THE GOVERNMENT'S TECHNOLOGY INFRASTRUCTURE**

By investing in the infrastructure that underpins digital transactions made by residents, businesses, researchers, and governments, the State can enhance decision-making, spur creativity, and heighten efficiency. As the incoming administration seeks to elevate New Jersey's standing in the innovation economy, strengthening and upgrading the state's technological nervous system (i.e. internal hardware and software) should be a top priority.

In June 2017, Governor Christie signed Executive Order 225, which broadly aimed to centralize government IT, decentralize software, take stock of assets, and modernize legacy systems. One provision mandates a shift towards centralized information technology under the Office of Information Technology (OIT). This change will hopefully streamline departmental contracts, bolster the state's overall purchasing power, and improve overall system efficiency. OIT has since moved to centralize its technology procurement functions. As a result, multiple agencies no longer maintain separate licensing agreements with the same vendor. The executive order also prescribed the decentralization of software development. The functions of software development and maintenance—which have been housed in OIT—were ordered to be transferred to individual agencies.

#### **i. Recommendation: Evaluate the state's Information Technology systems and develop RFPs for security and functionality upgrades within the first six months**

New Jersey's government infrastructure is severely outdated, and the state struggles to coordinate services with town and county governments. Although the State recently attempted to switch some applications to public cloud technology, many of its applications still use mainframe storage and processing. Meanwhile, many other states—including Utah, Illinois, and Ohio—have adopted a cloud-first strategy, with Utah abandoning mainframes altogether.

This administration should immediately assess its biggest choke points and vulnerabilities, and determine its strategy to modernize state hardware systems.

The administration should also convene a cross-boundary task force among every level of government – state, county, and local – to identify opportunities for collaboration, specifically around voluntary pooled procurement.

#### **ii. Recommendation: Review and improve upon Executive Order 225**

OIT should convene representatives from departments, labor and the private sector to examine the timeline, progress, and impact of Executive Order 225.

The Governor should request, within the first 100 days, a formal recommendation on whether the State should continue or alter the centralization plan.

To complement the evaluation, all departments and agencies should provide comparative analyses of technology budgets and procurement timelines prior to and following centralization.

### **II. PRIORITY: IMPROVE E-GOVERNMENT SERVICES FOR NEW JERSEYANS**

Effective e-government is essential to improving accountability and efficiency. With the State lagging in national assessments of e-government, the Governor should prioritize the enhancement of the State's offerings and frame our residents as customers in the context of their engagement with state agencies. Interactions between residents, businesses, and the government should be smooth, accessible, and secure.

The State should use an "outside-in" approach to service delivery by assuming the perspective of the resident, rather than that of the agency, when designing delivery mediums. One model for e-government is Utah. Utah has received an A grade in the Center for Digital Government's biennial Digital States Survey for each of the last four survey years. The key to Utah's success is its ability and willingness to adapt to changes in residents' preferences, including the shift from laptops to mobile devices. Utah has responded by employing a mobile-first strategy to reflect this change. Utahans can now interact with government from anywhere and at any time with the devices they are most comfortable using.

As the incoming administration has prioritized transparency, improved access to information would enable residents and organizations to monitor government operations and, in turn, hold departments and agencies accountable. By publishing data in a more user-friendly format, a state can support outside responses of impactful decisions. The New Jersey Open Data Initiative was enacted in 2016 to refine the state's data capabilities. The incoming administration should determine if and how it wishes to proceed with the current strategy, leaving open the possibility of expanding the scope to include information on the performance of education and workforce development programs.

**i. Recommendation: Require agencies to provide online service-delivery options for services that are currently offered in-person and via paper mail**

In some State agencies, the mediums used for services are limited to walk-up and paper mail delivery. Residents who wish to perform simple tasks online do not have that option. The Motor Vehicle Commission, for example, does not allow drivers to renew their licenses online. Drivers are required to either travel to their local MVC location or send their forms and payment (but not in cash) through paper mail.

The State should require agencies to offer an online service-delivery option for all services unless there is a compelling security justification. Residents should be able to apply for a permit, report an incident, or check a health record without having to travel to a government office.

**ii. Recommendation: Create a user-friendly mobile app that allows residents to interact with multiple government agencies**

Very few New Jersey agencies employ a mobile app to interact with residents. Those who do each have their own independent app.

The State should create a single, unified mobile application through which residents can interact with various agencies in one place. Such a mobile application could be modeled after Singapore's dynamic "OneService" app, which brings together the services of ten different government agencies. Residents can access important information and report concerns directly to agencies from any place and time through one easy-to-use application. The City of New York has a similar app called NYC 311, from which our developers could draw inspiration.

The required development skills already exist within New Jersey. Rutgers students have benefitted from the Rutgers University Official Mobile App since 2012. The application

allows students to interact with various school entities in one seamless portal. OIT could collaborate with Rutgers' Office of Information Technology to leverage software development capability and establish the State's own mobile application.

**iii. Recommendation: Examine converting state-operated 800 numbers to the NJ 211 platform**

NJ 211 is a 24/7 service line that connects New Jersey residents to a variety of services. The service is operated through a public-private partnership and is accessible by phone, online chat, email, and text. The line allows residents to report utility issues, access the State's addiction hotline (Reach NJ), report suspicious activity, and receive free income tax assistance.

The State currently operates over one hundred toll free 800 numbers. They cost money and many of them are available during business hours only. Many of these lines could be discontinued by transitioning to the 211 platform. This administration should assess if this transition would lead to cost savings and improve the customer experience of New Jersey residents.

Services could be further integrated if the 211 platform was merged with the multiple-agency mobile app described above.

**iv. Recommendation: Appoint a service delivery director and create a statewide E-Government Strategic Plan**

According to the 2016 Digital States Survey conducted by the Center for Digital Government, New Jersey is one of the eight worst-performing states with respect to its technology portfolio. Neighboring states (e.g., New York, Pennsylvania, Delaware) all scored higher. More concerning is that New Jersey's rating dropped from a B- in 2014 to a C+ in 2016.

Through Executive Order, the Governor should call for the creation of the New Jersey E-Government Strategic Plan, modeled primarily after Utah's initiatives. This plan will emerge after coordination with the private sector, academia and national experts.

During strategic plan development, departments and agencies would identify every point of resident interface (e.g., social-service engagement) to work towards synthesizing service delivery through a one-stop, online platform.

New Jersey should also immediately hire a service delivery director. This individual will spearhead state efforts to make New Jersey's online services world-class.

Within a brief period, cost savings from e-government should exceed the upfront investments. A study by the University of Utah estimated that e-government expansion saved the state \$46 million over five years, with each online transaction costing \$13.20 less (on average) than an offline transaction. Moreover, New Jersey could follow Utah's self-funded model, in which modest user fees for certain transactions cover costs to maintain operations, with other services supplied free of charge.

**v. Recommendation: Facilitate and enhance access to government data**

With respect to the availability of consequential datasets, New Jersey ranks 29th in the nation, according to a 2017 Center for Data Innovation report.

The Governor should instruct the incoming head of the Office of Information Technology to immediately review the December 2016 New Jersey Open Data Initiative. The review should focus on the initiative's adherence to best practices in (a) open-data policies, (b) open-data portals, and (c) machine-readability.

Additionally, the Governor should instruct the incoming Treasurer to publish state financial data in a more accessible format to promote resident engagement.

### **III. PRIORITY: STRENGTHEN LINKS BETWEEN OUR UNIVERSITIES AND INNOVATIVE SECTORS**

A third priority is to promote collaboration between industry and the State's institutions of higher education. New Jersey's government should push its universities and businesses to be partners in growing New Jersey's economy and improving New Jersey's government. A coordinated effort will allow the State to return to its leadership of the innovation economy. The goal is to support university technology transfer offices across the state, and help academic institutions take the lead in commercializing new technologies. The State should also consider supporting application development for government and other nonprofits. Not only can strong apps be utilized to improve our E-government, they can potentially be commercialized and sold to other governments across the country.

This priority is well-aligned with the priorities of the Stronger and Fairer Economy transition committee.

#### **i. Recommendation: Create a central tech transfer office to promote university intellectual property assets and assist with their commercial distribution**

Across the State, universities are doing research that leads to new ideas and technological advances.

At the end of 2017, the Office of Higher Education and the Economic Development Authority held the initial meeting on the development of the New Jersey Research Asset Database (RAD). This database will serve as an online portal for businesses to view New Jersey's top researchers and facilities.

New Jersey should complete development of RAD. Afterwards, the State should take an active role in matching entrepreneurs with our research institutions and helping universities negotiate licensing deals. The State should also help research institutions with the identification of new inventions and securing patents.

One model for New Jersey might be the Massachusetts Technology Collaborative (MassTech). MassTech funds research and development grants, facilitates student internships at start-ups, and brings together representatives from government, business, and education to develop growth strategies.

#### **ii. Recommendation: Create an innovation competition for faculty and students to generate solutions to statewide problems**

The State should create an annual competition to generate creative solutions to statewide problems. The State of Florida's annual Healthcare Innovation Pitch Competition is a



successful healthcare-specific competition in which participants compete for prize money by proposing ideas for statewide healthcare issues. The competition's theme for 2017 focused on aging-in-place. Undergraduate and graduate students from universities across the state are eligible to compete.

A New Jersey competition could feature a new technology challenge each year. Potential themes could be tied to other technology objectives from this report, such as improving the government's delivery of services. This competition could be open to faculty and college students across the state and would foster an entrepreneurial spirit.

The State of Florida's program is funded primarily by Blue Cross Blue Shield of Florida and is managed by the University of South Florida's Center for Entrepreneurship at the Muma College of Business. This organizational model allows the State to reap the benefits of the competition while incurring few costs.

#### **IV. PRIORITY: ATTRACT AND RETAIN HIGH-TECH TALENT AND INVESTMENT IN NEW JERSEY**

New Jersey should be a rewarding state for innovators. During the campaign, the Governor-elect discussed loan forgiveness for STEM educators. Other committees—like Urban and Regional Growth, Housing, and Transportation—are discussing how to make our cities attractive to millennials. New Jersey must also be more attractive for entrepreneurs. New Jersey currently attracts less venture capital per capita than its peer states. New Jersey is losing the “talent war” as too many tech innovators decide to make other states their home base.

**i. Recommendation: Create a fellowship program that aims to improve New Jersey's government technology and attract talented professionals to work in NJ State Government**

The State should create a fellowship that is modeled after the federal government's Presidential Innovation Fellows program. This program brings technologists, executives, and innovators into federal government service, with the ultimate goal of administering programs to residents more effectively and efficiently. Fellows are paired with career public servants across various agencies to create a mutually-beneficial partnership. Fellows are able to learn about the inner-workings of the federal government and contribute to tackling some of our nation's greatest challenges. The federal government benefits from the program by tapping into private sector expertise and creativity to solve technology problems.

Creating such a program at the state level here in New Jersey will serve two purposes that are consistent with this report's objectives. First, it will attract entrepreneurial talent to work in New Jersey state government. Second, both the administration of services to residents and the overall IT capabilities of State government will improve markedly as a result of the arrangements.

In the case of the federal government's Presidential Innovation Fellows program, costs are spread across the individual agencies who take on fellows. Before instituting a fellowship program, the State should evaluate all possible funding mechanisms.

**ii. Recommendation: Establish a STEM-specific student-loan forgiveness program**

During the campaign, the Governor-elect proposed student loan forgiveness programs for STEM employees who moved to New Jersey.

The purpose is to counteract the erosion of New Jersey's STEM foundation. In 1980, New Jersey was home to 16 STEM industries with employment 1.5 times greater than the national average. Now it is home to only four. New Jersey is also only 32nd in the nation in terms of recent bachelor's degrees in science and engineering.

This proposal is, in part, modeled after North Dakota's program, which funds around 800 individuals at an annual cost of approximately \$1.2 million.

**iii. Recommendation: Encourage all public schools to expand computer science programs**

Computer science is not widely offered in New Jersey's public high schools. It is even less common in elementary and middle schools. Those high schools that do offer computer science courses typically have modest programs that do not include computer science as a core requirement or include AP-level offerings.

One step the Governor-elect and the State Board of Education can take is to strongly encourage or require that all public schools make Computer Science a core graduation requirement. Exposing students to computer science will also generate further interest in the field. Studies show that students who learn computer science in high school are six times more likely to major in it. Computer science skills are in high demand in today's workforce, and requiring coursework in this area will help catalyze a new wave of young tech leaders.

Additionally, the Governor-elect and the state board of education should take steps to ensure that computer science is offered at the AP-level in all public high schools. Students who wish to pursue computer science more seriously or might consider it as part of career training should have access to AP-level instruction.

To fund these programs, the State should solicit help from large corporations who are challenged to identify and recruit sufficient talent to fill their tech jobs. A similar recommendation is in the Education, Access, and Opportunity transition report.

**iv. Recommendation: Pursue strategies to jump-start the innovation economy**

The State's current initiatives (e.g., the Angel Investor Tax Credit) are complex and many investors do not partake in them due to the extensive paperwork and low incentives. In order to reignite investment, we need to give NJ based investors a reason to invest and move their strongest companies to New Jersey.

The State should investigate new strategies aimed at jump-starting the innovation economy. These might include:

- *Creating a Capital Tax and Employee Stock Ownership Plan (ESOP) incentive program.* This strategy may help attract companies from New York and Pennsylvania, which would grow the State's tax base. This plan would be targeted at the founders and employees of high-tech companies that move to New Jersey or are started in the State. If companies have a liquidity event (e.g., an IPO, acquisition by another firm), the founders and employees (under their ESOP) would pay zero state taxes on the capital gains of their

income. By creating an effective “0% Capital Gains Tax” for exits, we could become a highly desirable location for startups.

- *Revising New Jersey’s Angel Investor Tax Credit.* The current credit has been criticized as too weak to serve its purpose as an effective incentive. By increasing the Angel Investor Tax Credit from 10% to 25% for investment in emerging technology businesses that have 75% of employees in New Jersey, the State may be able to attract greater investment in innovative companies. The State should also emphasize that investors in venture funds are eligible to take advantage of this program.
- *Assist start-ups with funding R&D.* One suggestion is for the state to give rebates to start-ups on their payroll tax payments based on their R&D spending. Participating companies could then be asked to share research with our universities or offer New Jersey students paid internships.

## **V. PRIORITY: FOSTER TECH HUBS AND INCUBATORS, AND EXPAND ACCESS TO SECURE INTERNET**

Access to high-speed internet is now a prerequisite for participation in our increasingly connected economy. Employers have turned to online job boards to post openings. Teachers consistently assign work to students that require internet use. Nevertheless, New Jersey has substantial gaps in broadband access—particularly in its rural areas where approximately 21% of residents lacked broadband access as of 2017. Sussex and Warren counties, and many parts of South Jersey, have the most residents without broadband access. The State’s lower-income residents in our cities are also disproportionately unconnected. As the nation’s most densely populated state, New Jersey should provide all its residents with broadband access.

New Jersey also lags behind other states in terms of creating interesting spaces for job creators to start and build their own companies. The State should prioritize creating incubators in our schools and cities, and making sure that tech hubs across the state have high-speed internet.

### **i. Recommendation: Expand high-speed internet access to all of New Jersey’s rural and urban communities**

New Jersey has reliably mapped its broadband capabilities throughout the state through funds granted by The National Telecommunications and Information Administration’s (NTIA) State Broadband Data and Development Grant Program.

The State should move to create a middle-mile, fiber-optic cable network to connect New Jersey’s rural and urban communities to high-speed internet. It should leverage its mapping progress to identify areas where such a network ought to extend.

The State of Massachusetts’ “MassBroadband 123” program is a good model for New Jersey to follow. In 2011, MassTech (described above) built a middle-mile, fiber optic network across Western Massachusetts. This is a fiber-optic cable grid that extends to the edges of 123 of the state’s rural communities—but does not weave in and out of neighborhoods to provide last-mile service connection. MassTech owns the grid, while a private contractor operates it. The contractor sells wholesale fiber-optic services to local internet service providers or municipalities, who then build the grid’s last-mile connections and sell retail service.

To incentivize the development of last-mile broadband delivery, the State could learn from New York. Our neighbor employs a “reverse-auction” strategy to award grant money to the internet service provider who can provide broadband to underserved census tracts at the

lowest bid. The government should also assist banks in using federal Community Reinvestment Act (CRA) funds to support the expansion of digital access.

New Jersey should also incorporate internet access into its state planning, and seek to make its urban areas a testing site for future internet advances (e.g., 5G pilots).

**ii. Recommendation: Enforce a safe and equal internet for all residents**

In December, the Republican-led Federal Communications Commission (FCC) reversed the Obama-era rule on Net Neutrality. This opened the door for Internet Service Providers (ISPs) to discriminate against sites and services, ruining the promise of a free and open internet for all. Earlier in 2017 Republicans reversed an FCC rule in order to allow ISPs to sell consumer data without consumers' permission.

The Governor should work with the Attorney General so New Jersey joins the multi-state lawsuit against the FCC's Net Neutrality decision, and to prioritize litigation that enforces user privacy. The Governor should consider supporting legislation that imposes disclosure requirements when ISPs collect consumer data. The Governor should also consider legislation that maintains the goals of Net Neutrality, by prohibiting ISPs in New Jersey from blocking websites or paying for priority treatment.

**iii. Recommendation: Build tech incubators in vacant office space owned by government entities**

NJ does not have sufficient spaces for job creators to start and build their companies. Yet, in many cases across the state, government buildings are vacant and can be converted to simple work spaces for tech innovators to get their businesses going.

The State—potentially through the Division of Community Affairs—should work with towns and counties to convert vacant space to be accelerators or incubators. The State should collect rent and run the spaces, but share profits with the local townships. The State should also work with private companies to provide free internet. Every county should have at least one business incubator (potentially connected to its vocational-technical school or county college) by July 2019.

This recommendation is consistent with the priorities of the Stronger, Fairer Economy transition advisory committee.

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Jay Bhatti  
Jazlyn Carvajal  
Tim Castano  
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Committee Members:

David Barnett; Joe Baumann; Jason Chon; Kimberly Cursey; Uli Diaz; Tara Dowdell; Chief Charles Eke; Tracy Fred; Pete Gagliardi; Carley Graham Garcia; Paul Hoffman; Michael Jackson; Jonathan Jaffe; Michael Kempner; Pat Kennedy; Francesca Dulce Larson; Kay LiCausi; Jeffry Nimeroff; Carrie Parikh; Randall Pinkett; Aaron Price; Reverend William Rutherford; Ed Salmon; Steve Socolof; Umar Syed; Gene Waddy.

The Governor, Lieutenant Governor, and the entire senior transition team staff greatly appreciate the immense amount of work, participation and expertise that all our co-chairs, committee members and deputy directors who staffed each committee provided since the transition began in November. This hard work and positive energy about how New Jersey can once again become a national leader has resulted in a robust set of recommended priorities and actions for the incoming administration to consider. As with any collaborative endeavor, many recommendations and opinions were expressed and debated during the committee meetings and the drafting of the reports by co-chairs, committee members, and Deputy Directors. The final reports may contain recommendations that do not reflect the concurrence of all co-chairs or committee members, nor of the organizations they represent. These reports are purely advisory and do not reflect the positions of the Governor-elect or any other elected official.



Report of the  
Healthcare  
Transition Advisory Committee

Submitted to Governor-elect Phil Murphy and Lieutenant  
Governor-elect Sheila Oliver

January 1, 2018

## EXECUTIVE SUMMARY

The Healthcare Transition Advisory Committee proposes that the Governor-elect consider the following recommendations to accomplish these priorities:

- I. Priority: Overall transformation of health goals and enhancement of agency coordination in New Jersey to invest in population health, promote equity, and achieve better health outcomes for all**
  - i. Establish Office of Health Transformation
  
- II. Priority: Improve the experience, value, and accessibility of health care for all New Jersey populations**
  - i. Expand access to health insurance; reduce premiums; stabilize insurance market and preserve the gains New Jersey made under the Affordable Care Act
  - ii. End “surprise billing” through immediate out of network billing reform
  - iii. Establish a plan to insure all children in New Jersey
  - iv. Introduce a comprehensive plan to improve maternal health and birth outcomes in New Jersey
  - v. Implement Hospice and Palliative Care Best Practices and a Statewide POLST registry to provide patients’ desired End-of-Life treatment
  - vi. Establish options for meaningful use of telehealth in NJ
  
- III. Priority: Restore, defend, and expand state and federal family planning and access**
  - i. Direct a comprehensive, multi-agency strategy to maximize access to quality family planning care for all New Jerseyans
  
- IV. Priority: Address the opioid crisis and other substance abuse problems through comprehensive behavioral health integration and reform**
  - i. Initiate immediate education campaigns to target audiences including users, prescribers, caregivers and drug courts
  - ii. End regulatory logjam in Mental Health/Substance Use Disorder services
  
- V. Priority: Increase health care data access and utilization to promote cost transparency**
  - i. Establish a statewide database to aggregate and utilize claims information
  
- VI. Priority: Improve patient experiences and the quality and cost effectiveness of care in New Jersey’s Medicaid program**
  - i. Increase the use of evidence-based performance strategies in Medicaid managed care (MCO) contracts and Medicaid regulations.
  - ii. Integrate care for individuals eligible for both Medicare and Medicaid.
  - iii. Develop next-generation Medicaid Accountable Care Organizations (ACO).
  - iv. Identify and Implement Medicaid program efficiencies

## REPORT

Health is a prerequisite for full participation in the labor market and public life. A fairer economy requires that we invest in improving the health of the entire state's population and address health disparities to ensure all New Jerseyans have access to quality, affordable health care and improved health outcomes.

The recommendations of the Healthcare Transition Advisory Committee reflect a broad commitment to the Health in All Policies (HiAP) approach in which the state promotes health equity by embedding health concerns into cross-sector decision making. It is essential to promote inter-agency collaborations and to take advantage of innovative opportunities in technology and with our partners in academia and the private sector to address the social determinants of health. The HiAP approach leverages creative, cross-sector solutions and a new policy paradigm to address complex health challenges and prevent rising healthcare costs from crowding out other important policy priorities. Multi-agency strategies that engage external stakeholders and employ public-private partnerships are the next generation of health-promoting cost savers.

The state's population health determinants go beyond healthcare, and include policy areas such as education, housing, environment, and social justice. Governor Murphy has the opportunity to call upon all state departments to include goals for improved health in their decision making, as well as to direct immediate and ongoing attention to systemic racism and discrimination that affects health access and outcomes in our state. We recommend an immediate pledge to the long-term goal of eliminating health disparities in the State of New Jersey.

### **I. PRIORITY: BEGIN OVERALL TRANSFORMATION TO INCLUDE HEALTH IN ALL POLICIES THROUGH ENHANCEMENT OF AGENCY COORDINATION AND ESTABLISHMENT OF HEALTH GOALS INCLUDING INVESTING IN POPULATION HEALTH, PROMOTING EQUITY, AND ACHIEVING BETTER HEALTH OUTCOMES FOR ALL**

#### **i. Recommendation: Establish Office of Health Transformation**

New Jersey should establish an Office of Health Transformation (OHT) to guide efficient administration of State health spending and set clear goals for the State to improve overall health system performance.

Historically, crosscutting health care issues have been addressed through ad hoc workgroups convened by the Governor's Office, but the temporary nature of these workgroups leaves implementation issues to the individual departments, and have fallen short in terms of execution. In addition, they are generally structured around major federal legislation impacting the State or a public health crisis such as the opioid epidemic, but execution is hampered by difficulties with operational coordination among the many siloed departments that address health in New Jersey's executive branch.

New Jersey's health care programs have a combined cost of nearly \$20 billion. At a cost of nearly \$15 billion for FY 2016, Medicaid is one of the largest components of the State's budget and it shapes the State's safety net financing. The Medicaid program is largely administered through the Division of Medical Assistance and Health Services (DMAHS) within the Department of Human Services (DHS). The components of the Medicaid program extend to seven additional State departments and divisions. The fractured nature of Medicaid's administration, as well as other health programs, including



the State Health Benefits Program (SHBP), can lead to competing priorities and inhibit the State's ability to effectuate cohesive statewide health policies.

State departments often face competing priorities because the State serves as both a regulator (licensing and inspections) and the payer (Medicaid and SHBP). For example, Department of Health (DOH) decisions regarding the expansion of licensed services, like home health care, can have unintended financial impacts on Medicaid and SHBP. However, by statutory design, DOH is only responsible for evaluating the impact on access to services in their analysis, and they are not required or permitted to consider the potential cost impact on payers.

The OHT should coordinate strategic health planning and setting of goals among all Departments and Divisions. The OHT would promote aligned quality and performance metrics for all state-funded health services, improve consistency of quality among State health programs, promote transparency and measurement across programs, and most importantly, improve the continuity and experience of care for patients as they traverse delivery systems (physical health, mental health, school-based clinics, Medicaid, long-term services and supports).

In addition, the OHT would be responsible for achieving major objectives indicated in this report including promotion of primary care, population-based interventions intended to improve health and well-being (such as housing supports, care transitions, and care management), and value-based purchasing across all State programs (especially Medicaid and SHBP). Lastly the OHT should facilitate shared services between agencies that address both health concerns and the underlying social determinants of health, including legal, communications, procurement, and contracting services. The OHT should be accountable for supporting all agencies to efficiently share information, integrate data sets and analyses, facilitate collaboration, and establish and accomplish shared goals for their programs.

The OHT can be created by Executive Order within the first 100 days of the new administration, and the office's location would be best determined by the Governor. We recommend that the OHT be led by an Executive Director with a small, nimble staff with extensive health policy and government experience. To the extent possible and to assure that OHT has access to the best program expertise in the State, existing staff with deep expertise from State health programs and New Jersey universities should be invited to work with OHT. The Governor should direct cabinet members to fully cooperate with the OHT.

Costs: Depending on the actual size and composition of the OHT team, the office would need funding for salaries, a portion of which may be offset by Medicaid federal matching funds, to the extent permitted under federal guidelines.

## **II. PRIORITY: IMPROVE THE EXPERIENCE, VALUE AND ACCESSIBILITY OF HEALTH CARE FOR ALL NEW JERSEY POPULATIONS**

- i. Recommendation: Preserve the gains New Jersey made under the Affordable Care Act (ACA), work to expand access to good health insurance coverage at the lowest possible premium, and introduce measures to assure stability of the insurance market**

According to the latest numbers from the U.S. Census Bureau, New Jersey's uninsured rate is at 8%, the lowest the state has seen in three decades. This is in large part due to the coverage advances made under the ACA, specifically through the law's Medicaid expansion and federal marketplace premium subsidies. Nearly 70% of New Jersey enrollees in the individual market have plans issued via the marketplace, and of those roughly 80% received a subsidy in 2017 and an estimated 52% also received a cost sharing subsidies.

However, federal government actions, including defunding cost-sharing subsidies, a cut in outreach and marketing funds, and a shortened open enrollment period, all aimed to weaken the ACA. The federal tax legislation's repeal of the ACA's individual mandate will likely affect the individual marketplace and its ability to provide affordable coverage options, with premiums expected to rise in 2019 by 10% or more.

The next administration should consider pursuing the following approaches that could lower individual market premiums and stabilize the insurance market:

1. Review the feasibility of creating a reinsurance program for plan year 2019 and developing an ACA Section 1332 innovation waiver to secure federal funding to support it. Alaska pioneered this approach in 2017, and saw a large decrease in premiums.
2. Foster ACA and Medicaid enrollment through new State-led consumer outreach campaigns, and in particular work with community groups and health providers to target hard-to-reach populations, including immigrant communities and young adults.
3. Work with the legislature to review whether creating a state-based individual coverage incentive can help promote coverage affordability in the individual marketplace in New Jersey, in response to the federal tax legislation that repealed the ACA's requirement that most individuals have coverage or pay a tax penalty.
4. Work with employers in the state to explore a shared responsibility fund for those who do not provide affordable health insurance for workers that would offset the cost of covering uninsured workers in the New Jersey individual marketplace.

To create a reinsurance program for plan year 2019 and submit an ACA Section 1332 waiver, the state must pass authorizing legislation. This legislation must include a reinsurance fund and establish a funding mechanism. Legislation would also be required to establish a state-based incentive to purchase and maintain coverage.

Costs: Funding for outreach and enrollment would likely be from the general fund. Funding to seed the reinsurance fund could come from an insurance assessment or Third-Party Administrator assessment (not the general fund), and the use of the Section 1332 waiver would recoup significant federal funding for the program. Until the specific reinsurance proposal is drafted, it is difficult to provide an initial state funding estimate. Other states' 1332 waiver proposals had state funding ranging from \$16 million to \$271 million. The budget impact of a state-based incentive to purchase and maintain coverage is uncertain and will depend in part on its specific design, but revenue streams to support these and other reforms would likely be needed. If a penalty were imposed on individuals who could afford coverage but elect to remain uninsured, then those funds should be used

to assure future stability in the individual marketplace (e.g., by helping to fund reinsurance, outreach and enrollment activities, or premium subsidies).

**ii. Recommendation: Protect New Jersey’s health consumers through reform of “surprise billing” and unfair out-of-network medical claim practices**

Currently, New Jersey law offers protection from “out-of-network” and “surprise medical” bills to consumers in state-regulated (“i.e., fully insured”) plans and the State Health Benefit Program. Some out of network providers take advantage of this protection by charging very high out-of-network fees for emergency and surprise situations, when individuals may be physically or emotionally unable to provide consent. Health plans are required to pay these escalated charges, adding millions to costs paid by employers (including the State) through higher premiums and consumers through higher coinsurance and deductibles.

The Governor should work with the legislature to enact legislation to end surprise billing within his first 100 days in office. Legislation should ensure consumers are protected from surprise medical bills and employers are protected from inflated out-of-network billing.

Costs: Estimates of savings to the state and consumers have ranged from \$50 – \$133 million annually.

**iii. Recommendation: Work to protect the Children’s Health Insurance Program and establish a plan to insure all children in New Jersey**

Today in New Jersey, about 3.5% of individuals under 18, or about 70,000 of our children, are uninsured. An estimated 35,000 uninsured children are undocumented, 23,000 are eligible but unenrolled in Medicaid, and other children 12,000 exceed Medicaid’s income cut-off. Despite New Jersey having the second highest eligibility level nationwide at 350% of the federal poverty level, and achieving significant coverage gains post-ACA, the mission of insuring all children remains unfinished. The uninsured rate for Latino children is three times higher than for white children. Eliminating health disparities for children in our state is critical to ensuring long-term health, education and economic opportunity. There are clear benefits to insuring children, as it increases graduation rates, creates better health outcomes, including lower obesity and high-blood pressure rates, lowers teen pregnancy rates, and increases economic security for children and their families.

As of the writing of this report, the future of the Children’s Health Insurance Program (CHIP) was uncertain. In December, Congress passed a short-term spending bill that extended CHIP through March 31, but a number of states are set to run out of money before then. New Jersey can sustain its CHIP until the second quarter of 2018, but would then run out of federal funds to support the program. Advance notice must be sent to parents so they can seek other forms of coverage, and will need to be spend almost immediately. If Congress does not continue CHIP funding, the state would be required by New Jersey law to cover about 90,000 Medicaid-eligible CHIP children, but at the standard 50-50 match instead of the CHIP federal match of 88%.

Keeping these children on CHIP is an urgent priority, and covering all New Jersey children should be a high priority, with foundational steps taken in the first six months as described below. Increased outreach and enrollment efforts combined with Medicaid system improvements described in this report will also help.

- In the first 100 days, the Governor should establish a workgroup of stakeholders and organizations representing diverse consumers in NJ to propose a plan that would result in providing health care coverage for all children within four years. The plan should build upon the success of NJ Family Care, and also take into account CHIP funding and other federal budget proposals that threaten to reduce coverage for children in New Jersey.
- Require the Department of Human Services to take administrative actions to reduce the number of children who are uninsured, including improving and expediting the eligibility process.

Costs: Early planning requires minimal funding but relies upon sufficient staffing, especially for the Medicaid division, and dedication of a portion of enrollment funding to outreach for children. Commitment of state funds is required to achieve longer-term coverage for New Jersey children.

**iv. Recommendation: Introduce a comprehensive plan to improve maternal health and birth outcomes**

Despite concerted efforts to improve maternal and child health, women in New Jersey still experience suboptimal outcomes and disparities by region and race. Annually in New Jersey, nearly 500 babies do not live to see their first birthday. New Jersey's black infant mortality rate declined by 30% to 9.7 deaths per 1,000 live births by 2015, lower than the national rate of 11.4 deaths per 1,000 live births. However, this rate far exceeds New Jersey's white infant mortality rate of 3 per 1,000 live births. This infant mortality gap is the largest in the nation. But we can do better: up to 60% of maternal complications are estimated to be preventable.

New Jersey ranks 19th nationwide for women and children's health, according to the 2016 America's Health Rankings report from the United Health Foundation. The report also found that women's deaths related to pregnancy or childbirth are on the rise in New Jersey, citing at least 36 maternal deaths per 100,000 live births, compared to 20/100,000 nationwide. The report also noted that health disparities occurred between white mothers and women of color.

Currently, the State pays for 42% of all births through the Medicaid program, making Medicaid an ideal platform to apply evidence-based practices targeted at health disparities, with applications in commercial markets as a longer-term priority.

We can save lives, improve birth outcomes and reduce spending by prioritizing maternal health and child health improvements. Over time, better birth outcomes will improve life chances for children.

Steps should include the following:

1. Improve access to family planning and make contraception more available and affordable for all women, with particular emphasis on education about the health benefits of planning for pregnancies.
2. Educate and inform providers and patients about optimal prenatal care and delivery practices. The state should partner and support programs that provide peer-to-peer mentoring and other evidence-based practices that educate mothers and achieve better birth outcomes, especially for high-risk populations.
3. The state can create payment incentives for best practice patterns and reward doctors who provide better quality care, lower rates of early elective deliveries, and engage in other practices that create better birth and health outcomes.
4. The state should explore using appropriate “behavioral nudge” incentives to promote adherence to prenatal care recommendations and address risk factors (e.g., smoking during pregnancy) in the Medicaid program.

Costs: These proposals offer high returns on investment and promise reductions in disparities while strengthening families. These programs may incur short-term costs, but will change the way existing dollars are spent and ultimately save money and improve lives.

**v. Recommendation: Implement hospice and palliative care best practices and create a statewide registry to assure that healthcare providers have access to patients’ advance care preferences for end-of-life treatment**

Palliative care for patients with serious illnesses ensures that treatment reflects each patient’s values and preferences, which in turn improves quality of life and reduces suffering. This can lead to lower avoidable costs for both the patient and the system, for example well-managed pain reduces the frequency of emergency room visits and hospital admissions. Currently care near the end of life care often neglects patient’s needs and wants, exacerbating excessive expenditures in the last year of patients’ lives and burdening patients, providers, and society as a whole.

The State should adopt a model for end-of-life care that encourages greater use of hospice care, allows palliative care to co-exist with curative care, creates a statewide registry for Practitioner Orders for Life Sustaining Treatment (POLST) forms, pays for advance care planning visits, and trains providers to have these important conversations with their patients. The POLST registry offers patients with advanced progressive illness or frailty a practical tool to ensure their wishes for medical treatment will be known and honored in times of crisis.

Within the first 100 days, the Governor should direct the Department of Health to create a comprehensive plan to increase provider and public awareness of the value of the POLST registry and Advance Directives, and explore policy options to implement a statewide POLST registry. The Department of Human Services should explore adding a Medicaid benefit to reimburse for advance care planning consultations, as is done in Medicare and most commercial plans.

Costs: Costs associated with advance care planning consultations in Medicaid would be relatively small – if 10,000 visits occur in the first year, the total cost (half federally funded) is estimated to be \$860,000 (if the state pays the same rate as Medicare). Ultimately, however, these consultation costs would be offset by reducing avoidable emergency department and hospitalization costs

vi. **Recommendation: Establish options for meaningful use of telehealth in New Jersey**

The use of technology to deliver health care, health information or health education at a distance – known as “telehealth” – has great potential to address provider shortages especially for specialty care, including behavioral health, while at the same time helping to control the cost of care. Around the country, there are intriguing examples of how telehealth can transform health care and access.

The Governor should direct relevant State agencies, including Medicaid, Health, Education, SHBP, and Corrections, to improve accessibility to telehealth, including examining licensing and reimbursement barriers, and establishing options for the State to use telehealth to provide health benefits to diverse populations.

Cost: Currently unknown; establish during deliberations or via estimates.

III. **PRIORITY: RESTORE, EXPAND, AND DEFEND STATE AND FEDERAL FAMILY PLANNING FUNDING AND ACCESS TO FAMILY PLANNING CARE**

i. **Recommendation: Direct a comprehensive, multi-agency strategy to maximize access to quality family planning care for all New Jerseyans**

Family planning providers are an essential part of New Jersey’s health care delivery system. Family planning services include contraception, screenings for sexually transmitted infection, cervical and breast cancer, diabetes, blood pressure, and intimate partner violence, as well as certain treatments. Through prevention, early detection, and timely treatment, family planning services yield cost savings, health benefits, improvements in productivity, and life opportunities.

In New Jersey, family planning services are delivered by multiple health care providers, including Planned Parenthood. For New Jersey’s low to moderate income residents, publicly-funded family planning services are often the only option, providing care to over 100,000 New Jersey women in 2014. There remains tremendous unmet demand.

Family planning is currently publicly funded in New Jersey through a combination of the federal-state Medicaid program, federal Title X funding, and state-only dollars. Over the last eight years, critical state funding for family planning services was eliminated, resulting in closed clinics, reduced access, and increased preventable illnesses disparately affecting lower-income populations of color statewide.

The Governor can restore, defend, and expand family planning services, starting immediately. **Restore** state family planning funding and expedite facility progress through legislation that calls for an immediate reinstatement of \$7.5M of annual funding, including a prorated amount for the current fiscal year. Reinstatement of any portion of the \$56M in state funding cut by the prior administration over eight years should be considered and advanced as budgets allow. Draw enhanced federal Medicaid matching funds for family planning services to the maximum extent permissible. **Defend** federal family planning funding including administrative filing of a State Plan Amendment to the federal Medicaid program to secure additional federal funds for women’s health services and considering entering multi-state partnerships to advocate for federal funding. **Expand** family planning services by examining public-private partnerships to better

position family planning providers to serve uninsured New Jerseyans, removing unnecessary barriers to care provision and supporting family planning provider training pipelines through partnerships with educational and workforce initiatives.

#### **IV. PRIORITY: ADDRESS THE OPIOID CRISIS AND OTHER SUBSTANCE ABUSE PROBLEMS THROUGH COMPREHENSIVE BEHAVIORAL HEALTH INTEGRATION AND REFORM**

To be effective in responding to the crisis, the State must reform the fragmented and inefficient behavioral health infrastructure in which opioid addiction and other substance use disorders overlap with broader mental health issues. Initial efforts for the new administration therefore include both educational and regulatory responses.

##### **i. Recommendation: Initiate immediate education campaigns to target audiences including users, prescribers, caregivers, and drug courts**

Recent research has shown startlingly high rates of opioid prescribing in New Jersey. Getting proper information out to affected populations is an essential strategy that can be improved with little additional funding. Informational campaigns and focused leadership ending delivery system fragmentation will help in the short and medium term, without substantial expenditures.

Implementation strategy, timing and costs:

- Begin a public information campaign to alert opioid users to the enhanced risk of death from heroin purity and fentanyl substitution.
- Fully support syringe exchange programs. They are effective reducing disease transmission and could serve as a hub for outreach/education. The Department of Health should convene a summit to engage key stakeholders to develop additional prevention strategies.
- The Attorney General should work to improve prescriber awareness, building on the work of the NJ Division of Community Affairs improve prescription monitoring and opioid education efforts.
- Provide outreach to caregivers and drug courts about medication-assisted treatment (MAT), including buprenorphine and naltrexone, to improve user survival, increase retention in treatment, and decrease illicit opioid use. Many caregivers can provide MAT care with available Substance Abuse and Mental Health Services Administration (SAMHSA) accreditation. Other steps could be initiated in the first 100 days, including: Nasal Narcan access could be supported through negotiations/bulk purchase from Amphastar; creation of an EMT/police working group to initiate Narcan-to-treatment pathway; and working with Division of Consumer affairs and innovative pain management physicians to safeguard access to pain meds.

All of these strategies could begin in the first 100 days and be carried out at minimal cost.

##### **ii. Recommendation: End regulatory logjam in Mental Health/Substance Use Disorder services**

There is substantial crossover in the populations using mental health and substance use disorder services. The care system is dangerously fragmented; evidence shows that

patients/clients receive improved care in integrated settings. New Jersey’s regulatory systems unnecessarily frustrate the implementation of integrated clinical care, leading to shortage of appropriate care for those in crisis, and for those whom crisis could be avoided.

Steps should include:

- Announce urgent plan to clear applications for integrated behavioral care within 6 months. Regulatory waivers and agency focus can accomplish this, and demonstrate good faith as to this long-standing problem at little or no cost.
- Conduct a “listening tour” in the first 100 days to explore behavioral health regulatory reform with advocates, caregivers, consumers, and community health organizations to highlight the commitment to create a unified licensing process for integrated behavioral health care, and to transparent and updated Medicaid reimbursement for integrated services.
- Create a working group (dedicated agency staff and select outside representatives) to update and rationalize payment and licensing policy.
- Develop an inventory of service providers from acute detox to community support to facilitate referrals and planning, including for hard-to-reach groups such as pregnant women and reentering prisoners.

**V. PRIORITY: INCREASE HEALTH CARE DATA ACCESS AND UTILIZATION TO PROMOTE COST TRANSPARENCY**

**i. Recommendation: Establish a statewide database to aggregate and utilize claims information**

The state should work across all departments within the first 100 days to create a statewide plan for reporting and use of claims data, as well as integration with health information exchanges and other data sets to support health improvement and cost savings across programs. These efforts could be accomplished through the Office of Health Transformation.

Cost, claims, and clinical outcomes data are prerequisites to evidence-based policymaking, state purchasing and consumer empowerment. State leadership is required to prompt, maintain and disseminate this type of robust data collection. Although voluntary initiatives add value, the state should comprehensively track performance across variables, measure health care utilization, determine effectiveness of public policy, support quality improvement and ultimately target cost drivers. Other states have moved ahead to leverage statewide data collection while data opacity in New Jersey continues to limit access to actionable information.

In order to ensure full participation, legislation is the optimal route to require payer participation in a statewide all-payer claims database (APCD) or similar database. If an APCD is the preferred vehicle, participation by ERISA self-insured plans may present a challenge. Other states, including Florida, have engaged the non-profit Health Care Cost Institute (HCCI) as a viable option for data collection and New Jersey should explore similar opportunities as well as collaboration with state universities and Medicaid data transparency initiatives discussed herein.



Cost: Some new resources would be required to establish an APCD, which could come from a reallocation of current insurer taxes and Medicaid funds (possibly with a federal match). User fees could offset APCD operating costs over times.

## **VI. PRIORITY: IMPROVE PATIENT EXPERIENCES AND THE QUALITY AND COST EFFECTIVENESS OF CARE IN NEW JERSEY'S MEDICAID PROGRAM**

Improving the health and well-being of all New Jersey residents is essential to an inclusive, dynamic economy and to maintaining thriving communities. The Medicaid program covers some of the most vulnerable among us, including children, pregnant women, low-wage workers, the disabled, and the elderly. The program's reach makes it an ideal vehicle to simultaneously reward quality and value while addressing inequities and disparities. New Jersey's Medicaid program should be consumer-centric, provide equitable reimbursement to quality providers, and be accountable to regulators and taxpayers. Specifically, a high-performing Medicaid program is one that advances the triple aim:

- Improving the patient experience of care (including quality and satisfaction);
- Improving the health of populations; and
- Stemming the rise in per capita cost of health care.

### **Current Situation: Medicaid in New Jersey today**

Medicaid is the federal-state public health insurance program for low-income Americans and certain categories of disabled populations. It is also the single largest source of federal funding for the State. Medicaid currently provides health insurance coverage for almost 1.8 million New Jersey residents including 552,000 New Jerseyans who gained Medicaid coverage through the ACA Medicaid expansion. Over 40% of New Jersey's children are insured by the Medicaid program. The program covers 42% of births and 65% of nursing home care.

The annual federal-state Medicaid budget for New Jersey in FY 2016 was almost \$15 billion under a 50-50% federal-state funding formula. 20% of New Jersey's annual state budget is dedicated to the Medicaid program. The importance of Medicaid to its beneficiaries and to the entire health care system cannot be overstated. Any federal changes to this system will have significant cradle-to-grave care repercussions and will dramatically alter New Jersey's overall health care system.

Today, looming threats target the New Jersey Medicaid Program. The federal government is considering strategies to contain or reduce its share of Medicaid funding. Although Congressional proposals which would have cut \$800 billion nationally from Medicaid over the next ten years failed, they are expected to resurface. Recently-enacted federal tax legislation would significantly add to the federal debt and likely result in calls for entitlement reform, including cuts to Medicaid and other safety net programs that would starve the state of resources needed to continue vital programs.

Below are four recommended actions that can begin within the first six months of the Governor's term to advance these goals:

#### **i. Recommendation: Conduct assertive outreach and enrollment efforts and continue to streamline eligibility determination procedures**

New Jersey Medicaid enrollment dropped from an August 2016 high of 1,768,494 to 1,753,770 individuals by November 2017. Nevertheless, significant numbers of New Jerseyans remain eligible but unenrolled in the program: as of 2016, 36% (or 335,000) of New Jersey's uninsured population is eligible for Medicaid. This number includes approximately 23,000 of New Jersey's 70,000 uninsured children who are Medicaid-

eligible but unenrolled Many individuals have not been reached due to limited funding for outreach and enrollment efforts, others find the eligibility process cumbersome, and families with mixed immigration status have confusion about eligibility.

NJ should immediately: (1) issue a Call to Action among advocates and stakeholders to provide targeted Medicaid enrollment and renewal assistance to individuals and (2) complete essential upgrades to Medicaid eligibility systems while holding eligibility determination workers accountable for timely and accurate processing. The State should lead and engage Medicaid Managed Care Organizations (MCOs) in an effort to retain eligible enrollees in the program.

Costs: Federal contributions for enrollment assistance include 50% federal contribution for Medicaid outreach; 65% federal funding for CHIP outreach if administrative funds are available under the existing allocation; eligibility processing costs are matched with 75% federal funding and upgrades to the IT system are matched at 90%.

**ii. Recommendation: Integrate physical and behavioral health services to improve care overall and address the opioid crisis**

Evidence-based care for people with substance use disorders and mental health needs is best provided in a clinically integrated setting. People with opioid addictions, for example, are best treated in settings in which primary care and co-occurring mental health needs are addressed. Regulations should provide for a unified, single license for integrated physical and behavioral health care. As an interim measure, the State could create a single point of entry and coordinated review of licensing for outpatient facilities, in order to get appropriate care on line as soon as possible.

Medicaid has an important part to play if the state is to encourage integrated clinical services. To date, Medicaid has “carved out” most behavioral health care from its MCO contract, resulting in gaps in coverage, and its fee-for-service payments too frequently create barriers to coordinated care.

In the first 100 days, the State should clear the backlog of applications for licenses to provide integrated outpatient services, using waivers when necessary. This short-term reform will enable sensible care for opioid addiction and other illness—from acute, to transitional, to community care. Advocates and the care-giving community have been requesting these actions for several years.

In the first six months, reform the Medicaid MCO contract to carve-in behavioral health to support integrated care. Also in the first six months, the Department of Banking and Insurance (DOBI) should begin to engage in active outreach to health insurers to establish, the State’s commitment to parity in mental health and addiction services in response to anticipated federal inaction, and to encourage insurers’ movement to value-based payment methods to improve coordination of care for the privately insured. Insurers are already inclined to move in this direction.

The cost of these actions would be administrative/professional time only.

**iii. Recommendation: Advance evidence-based strategies to improve patient-experiences, quality and cost-effectiveness of Medicaid**

The next administration should increase the use of evidence-based performance strategies in Medicaid managed care (MCO) contracts and Medicaid regulations, and integrate care for individuals eligible for both Medicare and Medicaid.

New Jersey has \$10 billion in contracts with Medicaid MCOs. MCO contracts and associated regulations have developed incrementally over time and have become multi-layered and complicated. Under leadership of the Commissioner of Human Services and involving other agencies of state government, patient advocates, program stakeholders, and outside experts, New Jersey should undertake a comprehensive review of MCO contracts and associated regulations. Changes should be identified that achieve administrative efficiencies and increase incentives (e.g., value-based payment strategies, pay-for-performance, and delivery system reforms such as patient-centered medical homes) for MCOs to improve patient experiences and the quality and efficiency of care. To the maximum extent permissible, MCO contracts and regulations should also enable and reward MCOs and healthcare providers for helping to address social determinants of health such as employment opportunities and housing.

People concurrently enrolled in both Medicare and Medicaid (“dual-eligible”) beneficiaries experience high rates of chronic illness and are high cost. Integration of primary, acute, and behavioral health care, and long-term services and supports for dual-eligibles saves money and offer better outcomes. Integration requires investment to prompt clinical and programmatic coordination, but yields substantial long-term benefits.

In New Jersey, we have approximately 175,000 (12%) dual-eligibles among 1.485 million Medicare enrollees statewide. Nationally, in 2011, dual-eligible enrollees accounted for 20% of Medicare enrollees, yet 35% of Medicare spending. The same individuals comprised only 14% of Medicaid enrollees but represented 33% of Medicaid spending.

NJ Medicaid should work with all stakeholders to design a full-integration model for the 175,000 dual-eligibles not already in a Dual-Eligible Special Needs Plan (DSNP) in New Jersey that builds upon the current success of MLTSS. In this context, “full integration” means that funding for both programs flow to one responsible entity like an MCO or a PACE provider where beneficiaries receive their full array of Medicare and Medicaid benefits, with added care coordination, beneficiary protections, and access to additional or enhanced services. The federal government is willing to partner with states to test models.

It is recommended that the Administration convene the Medicaid agency and the Department of Human Services along with participating Medicaid health plans and key stakeholders including consumer advocates and caregivers to design an integrated model complete with consumer protections, improved quality and optimal savings to submit to the Centers for Medicare-Medicaid Coordination Office for approval to offer dual-eligible members in CY 2019.

Costs: Savings to both Medicaid and Medicare can be accrued through better alignment, coordination, and integrated funding streams for all dually eligible members, which in turn result in quality care provided in less acute settings. Currently, approved demonstrations include 1 to 5.5% Medicare and Medicaid capitation rate reductions with the ability of health plans to earn back a portion based on meeting quality measures.

**iv. Recommendation: Develop next-generation Medicaid Accountable Care Organizations (ACO)**

The current Medicaid ACO demonstration project (established under P.L. 2011, Chapter 114) ends in 2018. Drawing findings from the project evaluation conducted by Rutgers Center for State Health Policy, engaging ACO stakeholders, and working with legislators, the Commissioners of Human Services and Health should develop a plan for a renewed ACO initiative. The new model should continue to address the needs of individuals with complex health and social needs, especially those with avoidable use of high cost health care. Next generation ACOs should be designed to enhance care coordination for complex patients and address social determinants of health including, for example, housing, food insecurity, transportation, job training, education, and legal assistance. The program design should include a sufficient and financing mechanism for the ACOs.

- **Accelerate the implementation of the Integrated Population Health Data (iPHD) Project** (established under NJ PL 2015, Ch. 193), with an emphasis on assessing policy options to address social determinants of health, improve quality of care, and identify efficiencies in state program administration.
- **Develop a Medicaid data transparency initiative.** The Department of Human Services should develop a public-facing Medicaid data website to enable the public to query aggregated information about patterns of and trends in Medicaid utilization and spending by enrollee demographic characteristics and health conditions. The web interface should be modeled on a similar initiative in South Carolina and enable access only to summary data that fully maintains Medicaid enrollee anonymity and confidentiality. The web interface should be compliant with all federal and state privacy laws and contractual obligations to MCOs and Medicaid providers.

**v. Recommendation: Identify and implement Medicaid program efficiencies**

In the first six months of the next administration, the state can take two important steps to making Medicaid more efficient: 1) implement a universal, statewide credentialing system and improve oversight of providers and 2) establish a Single Pharmaceutical purchasing mechanism.

A shortage of Medicaid providers prevents access to care for beneficiaries in New Jersey. Reducing administrative barriers to provider participation is cited as one of the most effective ways to expand Medicaid MCO networks. Credentialing is the primary administrative prerequisite for providers seeking to join a Medicaid MCO network—providers must be credentialed by each MCO with which they seek to contract. Ideally, the provider enters and maintains his/her data, potentially granting access to multiple payer entities and simplifying the re-credentialing. These standardized platforms also reduce administrative costs and fraud.

Physicians and health plans in New Jersey currently use the universal Council for Affordable Quality Health Care (CAQH) credentialing platform in the commercial health insurance market, which enables providers in all 50 states and the District of Columbia to regularly update their information and make it accessible to multiple health plans and regulatory entities. Credentialing is streamlined via an online platform that collects multiple categories of provider data for various functions. In addition to credentialing, these include claims administration and quality assurance. Earlier State procurement

efforts on Universal Credentialing stalled, but federal law requires the State to implement a solution immediately.

New Jersey should proceed with universal credentialing for the Medicaid program immediately. The federal Centers for Medicare and Medicaid Services requires that the State implement a single source screening and credentialing process no later than January 1, 2018. The Department of Human Services should leverage the existing statewide model here in New Jersey that many physicians currently use in commercial markets-CAQH.

New Jersey spends over \$3.5B annually for pharmaceuticals through Medicaid (\$2B before rebates/\$1.2B net of rebates) and through the State Employee Benefits Program (\$2.3B). Given the scope of spending, the State should leverage its considerable demand to procure pharmaceuticals as cost effectively as possible. Currently, the State Medicaid program includes the pharmacy benefit in every contract with each of five MCOs. In turn, each MCO works with its own Pharmacy Benefit Manager (PBM) or internal vendor, which is then responsible for negotiating prices and paying the pharmacies. Surprisingly, the current system lacks any capacity to verify compliance with federal rebate law, including, for example, ensuring that price growth does not outpace rebates.

The current arrangement raises two critical concerns. One, whether the use of separate PBMs by each of five MCOs yields the most efficient price for these services. This is difficult to determine, however, without data on pricing for the most common prescriptions and how they vary by each MCO's PBM. Secondly, whether using five separate PBMs adds unjustified administrative costs, complexity and chance for error to the system.

In contrast, for the SHBP, New Jersey contracts with one PBM (Optum Rx). Many other states either bid the Medicaid pharmaceutical benefit contract and use one vendor, as New Jersey does for SHBP, or participate in multi-state collective purchasing to leverage greater negotiating power.

The State, through Treasury and relevant departments, should immediately determine the most effective way to purchase all pharmaceuticals procured through State funded programs. If applicable, the lengthy RFP design process should begin immediately.

Costs: Currently these costs are part of administering the program. Universal credentialing will streamline the process and save the program money. Note that the State has no choice but to do this, and is subject to penalties and loss of federal funding if it does not comply. Savings from reforming pharmaceutical procurement could be significant (\$100M+). However, it is important to note the State share of Medicaid savings would be between 30-50% of the total saved.

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The Governor, Lieutenant Governor, and the entire senior transition team staff greatly appreciate the immense amount of work, participation and expertise that all our co-chairs, committee members and deputy directors who staffed each committee provided since the transition began in November. This hard work and positive energy about how New Jersey can once again become a national leader has resulted in a robust set of recommended priorities and actions for the incoming administration to consider. As with any collaborative endeavor, many recommendations and opinions were expressed and debated during the committee meetings and the drafting of the reports by co-chairs, committee members, and Deputy Directors. The final reports may contain recommendations that do not reflect the concurrence of all co-chairs or committee members, nor of the organizations they represent. These reports are purely advisory and do not reflect the positions of the Governor-elect or any other elected official.



# Report of the Housing Transition Advisory Committee

Submitted to Governor-elect Phil Murphy and Lieutenant  
Governor-elect Sheila Oliver

January 1, 2018

## EXECUTIVE SUMMARY

The Housing Policy Group recommends that the Governor-elect consider the following actions to accomplish these priorities:

### **I. Priority: Commit to address the state's housing crisis through statewide coordination and policy**

A key component of a stronger and fairer economy is a place to call home. The Governor can achieve a statewide coordinated approach to housing with two main actions:

- i. Reinstating the Senior Deputy Commissioner of Housing and Statewide Commission on Housing by Executive Action.
- ii. Committing to protect affordable housing funding and maximize housing opportunity through funding and agency coordination through administrative authority.

Executive Action will reinstate the positions and administrative authority will direct funding and programs.

### **II. Priority: Incentivize housing production**

There is unmet need and outmigration across demographics. The Governor can incentivize the production of affordable housing with three actions:

- i. Endorse an expansion of the Neighborhood Revitalization Tax Credit (NRTC)
- ii. Incentivizing inclusionary zoning for low and moderate-incomes through the administration
- iii. Promoting a One-Stop Shop at the New Jersey Housing Mortgage Finance Agency by administrative direction

Governor Murphy may use administrative authority to guide incentives.

### **III. Priority: Reduce barriers to creating housing**

In a state with high property taxes, shortage of land and other challenges, the Governor can illustrate his commitment to making New Jersey affordable by:

- i. Streamline approvals for inclusionary development
- ii. Tasking the Statewide Commission to remove impediments and regulations to building
- iii. Increasing support to Local Planning Services to provide technical assistance to municipalities

Executive action, direction to the Commission, and providing support to existing departments will streamline and reduce the cost of housing in New Jersey.

### **IV. Priority: Provide legal assistance to individuals facing eviction and/or foreclosure**

Ensuring low-income New Jerseyans facing eviction and foreclosure have access to legal representation will keep people in their homes and support the Governor's goal of a fairer economy. Two actions accomplish this goal:

- i. Develop a pilot to provide legal representation for low income New Jerseyans facing eviction and foreclosure
- ii. Enforce the New Jersey Law Against Discrimination

Governor Murphy can introduce a Right to Counsel program by Executive Action.

### **V. Priority: End homelessness in New Jersey**



New Jersey can seek to end homelessness by setting a progressive Housing First policy. Actions include:

- i. Directing New Jersey to operate as Housing First, prioritizing permanent housing for all
- ii. Developing responsive bureaucracy with authority to create a collaborative approach to homelessness
- iii. Endorsing legislation to allow counties to increase Homeless Trust Funds
- iv. Banning tenant “Blacklisting”

Executive leadership, in combination with legislative victories, are needed to implement a comprehensive plan.

**VI. Priority: Combat the foreclosure crisis**

New Jersey has the highest foreclosure rates in the country. In order to recover from the crisis, the Governor should:

- i. Utilize foreclosed homes for affordable rental and homeownership
- ii. Prevent foreclosure, endorse legislation to codify mediation program
- iii. Revision of regulations impeding foreclosure programs
- iv. Direct the Attorney General to pursue Wall Street settlements

Widely supported legislation and programmatic solutions by Executive Action will be funded from the Attorney General’s pursuit of settlements.

## REPORT

### I. PRIORITY: COMMIT TO ADDRESS THE STATE'S HOUSING CRISIS THROUGH STATEWIDE COORDINATION AND POLICY

Brief introduction: A key component of a fairer economy for all is a place to call home. Housing access and production must be improved through vision, coordination, providing incentives, and reducing barriers. Through Executive Action, the Governor may reinstate the Senior Deputy Commissioner on Housing (reporting to the Lieutenant Governor/DCA Commissioner) and the Statewide Commission on Housing. This will create the vision and direction needed to make New Jersey a place that all residents can afford. The Senior Deputy Commissioner of Housing can commit to protect funding and orchestrate programs.

Current Situation: Ad-hoc programs create an inefficient landscape for affordable and middle-income housing production. Without an overarching housing policy, inefficient programs and regulations stymie affordability efforts. Federal tax changes will exacerbate New Jersey's needs for a coordinated action plan to improve affordability. NJ households are in crisis. According to the United Way of Northern New Jersey Asset Limited, Income Constrained, Employed (**ALICE**) 2016 report, nearly 40% of households in New Jersey, or more than 1.2 million households, struggle to meet basic needs, with the cost of housing a major factor. Estimates show that the State needs 150,000 new affordable homes immediately, as well as an ongoing production in succeeding years. This housing crisis undermines the Governor's goal of a stronger and fairer economy and contributes to the exodus of families, millennials, and seniors.

In the past eight years, this housing crisis has not been a State priority. In fact, funds to support the development and preservation of affordable homes have been re-allocated to the general treasury, exacerbating the housing problem. This has led to disjointed programs scattered across multiple departmental divisions attempting to fill gaps. To begin addressing the matter, existing programs that have gone unfilled and unenforced may be quickly put to use in the new administration. With Lieutenant Governor Oliver serving as DCA Commissioner, the State will have strong leadership to advance housing goals. The Senior Deputy Commissioner of Housing position and the Commission on Housing will assist the Lieutenant Governor in the goals of the DCA. The positions existed previously and reinstatement would be strongly supported. New housing policies and investments would significantly contribute to developing a vibrant and just economy that embraces and supports equal opportunity for all.

#### i. Recommendation: Reinstate the Senior Deputy Commissioner of Housing and Statewide Commission on Housing

Governor-elect Murphy should acknowledge the housing crisis and commit to address it. First, the Governor should reinstate the Senior Deputy Commissioner of Housing, reporting to DCA, and the Statewide Commission on Housing by Executive Action. The amended Fair Housing Act of 2008 created the positions, however, they never came to fruition in the previous administration. Failing to create the Commission or fill the position, the legislature subsequently removed the roles. The goal is to provide additional capacity to assist the DCA Commissioner in addressing the housing crisis and ensure optimal coordination of the Governor's policies and limited resources. The Senior Deputy would manage the DCA housing elements as well as coordinate with NJ Housing and Mortgage Finance Agency (**NJHMFA**), the NJ Redevelopment Authority, and serve as a point of contact for Public Housing Authorities (**PHAs**). DCA's Senior Deputy Commissioner will also oversee the Statewide Commission on Housing. The commission will be tasked with coordinating departments, identifying funding sources, and solving programmatic inefficiencies— such as streamlining programs to reduce and prevent homelessness at DCA (to be discussed later), consolidating housing finance related programs at

the NJHMFA, pursue opportunities to work with PHAs to preserve affordable housing, removing barriers to low and moderate-income housing production, addressing the foreclosure crisis, and combating the impacts of federal tax proposals anticipated to severely hurt New Jersey.

Currently, in lieu of a functioning Council on Affordable Housing board, municipal fair share plans are individually approved through court settlements. After years of inaction, much progress has been made through this process. Once the court process is complete, the next iteration of an administrative agent must be in place. This will provide time for the Commission to explore the optimal administrative agent and process to govern municipal fair share requirements in New Jersey. In the long term, the Commission will also update the State Housing Plan which has not been revised since 1998.

**ii. Recommendation: Commit to protect affordable housing funding and maximize housing opportunity through funding and agency coordination**

The Governor should maintain and foster the existing avenues to produce affordable housing.

First, the state Affordable Housing Trust Fund (**AHTF**) monies and State Balanced Housing Fund must be protected and used toward their intended purpose of ensuring that New Jersey is a place that people may afford to call home. Executive Action can trigger existing law providing a provision for unspent local AHTF dollars to be garnished and added to the state pool. Local AHTFs may also provide a portion of their funds to the existing and unused Urban Housing Assistance Fund. This will allow urban areas without fair share obligations to develop a range of affordable housing.

Second, the State should ensure that the developments occurring through the Economic Development Authority, New Jersey Redevelopment Authority, and New Jersey Transit that are obligated to provide affordable housing are held to those requirements. The Senior Deputy Commissioner will ensure guidance and oversight to the various entities. DCA will direct State agencies, such as the NJ Redevelopment Authority and New Jersey Transit, which have provided support to development projects along with a corresponding requirement for the inclusion of affordable homes, to report to DCA that such homes have been developed. Such agencies should document the procedures in place that ensure that future projects are fully in compliance with affordability requirements. The Senior Deputy Commissioner can also direct State agencies to review housing funds, such as Balance Housing Funds and Realty Transfer Fees, and report on fund balances towards identifying available resources and ensuring transparency. Further, this report should also identify any re-direction by the current administration of such housing funds for other uses so that Governor-elect Murphy may consider allocation of these funds for their intended housing purposes.

Costs: Though the creation of the Senior Deputy Commissioner on Housing is a salaried position (estimated approximately \$100k), the position can reduce inefficiencies, streamline processes, departmental oversight, and create overall savings. Recommendations to maintain and protect Affordable Housing Trust Funds and Balanced Housing Funds, and enforcement of collaborating agency housing requirements, are all existing legislation/programs and require only direction and enforcement, no additional staffing or costs.

**II. PRIORITY: INCENTIVIZE HOUSING PRODUCTION**

Brief Introduction: Across demographics, there is unmet need which the previous administration did little to address. Necessity is the mother of invention, and the last eight years have seen a tremendous amount

of innovation in the housing sector. However, with dwindling subsidy and federal tax reform, we must do more. In order to encourage growth and innovation there needs to be a smart alignment of proven incentives such as inclusionary zoning, expanding public private partnerships, and good government. Much can be done using existing programs, some of which are currently underutilized. Facilitating smart municipal and agency partnerships will ensure success.

Current Situation: All age segments suffer from the lack of attainable housing, from early career millennials to middle-income earners to seniors on fixed or limited incomes. The average New Jersey resident pays a disproportionate amount of their income compared to the rest of the country. Our urban areas are increasingly becoming economic drivers, as more people move to cities to be close to work, transit, cultural and recreational amenities. There are currently transformative projects that have recognized this new reality. These projects are using a diverse array of funds that include tax credits, grants, and housing vouchers. Unfortunately, these programs are now at risk due to federal tax policy, state reallocation of vital subsidy funds, arbitrarily capping programs, and lack of commitment to affordable housing. Additionally, millions of dollars in existing funds are misallocated when faced with outdated barriers to implementation.

**i. Recommendation: Expand the Neighborhood Revitalization Tax Credit**

The Governor should endorse an expansion of the Neighborhood Revitalization Tax Credit (**NRTC**) cap to \$30 million (currently \$10 million). The NRTC was created by an act of the legislature in 2002 to incentivize businesses to invest in housing, commercial, and mixed-use projects that would help revitalize low and moderate-income neighborhoods. Businesses who make an equity investment receive a tax credit (equal to that of the investment) against various state taxes. In turn, the project sponsor gets the subsidy (equity investment) that allows the project to become financially feasible. According to the Housing and Community Development Network of New Jersey (**HCDNNJ**) the program has been an unqualified success. The \$31 million in NRTC funds spent so far has leveraged more than \$176M in private dollars and \$113M in public funds, or \$9 for every NRTC dollar. NRTC funds have helped build more than 1,200 homes, including 223 for-sale and 1011 rentals. The program has helped create 350,000 square feet of commercial space. At least \$2.35M of property taxes have been generated by this development. 521 jobs have been created through NRTC activities and 21 gardens and 3 schools have been developed. The program is perennially oversubscribed. Raising the tax credit cap would come with the support of participating companies, satisfy the needs of the communities, and allow approved projects to move forward.

After the state addresses the structural and revenue neutral approaches, the Governor should explore funding the HCDNNJ Building a Thriving New Jersey recommendations, supported by Regional Plan Association and more than 150 public officials. Though an initial outlay of subsidy, this commitment restores lost funding and further generates investment many times over.

**ii. Recommendation: Incentivize inclusionary zoning for low and moderate-incomes**

Inclusionary zoning can be an effective way for municipalities to meet fair share obligations and the Governor and DCA should set a directive to its agencies and municipalities to further this goal. Inclusionary zoning results in the significant production of multi-family development for individuals making very low (under 30%), low (under 60%) and moderate (under 120% of Area Median Income (**AMI**)) as integrated set asides within market rate housing with little to no subsidy. While the best

incentives for inclusionary zoning occur at the municipal level in the form of redevelopment plans, variances, or legislation, the state does have limited options for encouraging it. Namely, the Economic and Redevelopment Growth (**ERG**) program, currently administered by the Economic Development Authority (**EDA**) could include incentives for moderate-income affordable housing. Even for mixed-use developments, the residential component, which may not be directly subsidized, benefits from the subsidies received by the non-residential component and should lead to inclusionary obligation. Additionally, the state may provide limited competitive or discretionary funds available to municipalities with a record of encouraging higher-density Transit Oriented Development, using PILOTs, etc.

**iii. Recommendation: Promote a “One-Stop Shop” at the New Jersey Housing Mortgage Finance Agency**

To increase efficiency, reduce barriers, and enact the comprehensive statewide housing vision, DCA’s Senior Deputy Commissioner should conduct a reorganization of housing financing programs. Currently, housing programs are scattered across departments making financing development cumbersome. First, he or she will facilitate NJHMFA to become the “one-stop shop” for housing production programs. ERG, administered by the EDA is currently funded on first come first serve basis. Instead, the program should be administered at NJHMFA, awarded by scoring, and aligned with statewide housing priorities. Similarly, weatherization and lead hazard remediation programs, currently at DCA, are excellent tools for affordability preservation and could be expanded with single and multifamily housing financing if administered by NJHMFA. Lead hazard remediation and abatement programs will be further addressed in other committee reports.

Similarly, NJHMFA should also align its funding priorities with the overarching priorities of the state, available federal sources, and revise its regulations to create efficiencies. For example, PHAs have moved toward the Rental Assistance Demonstration (**RAD**) program to convert tenants to long term contract, which gives them stability and allows the PHAs the ability to access private funding, either debt or equity for capital improvements. The NJHMFA Qualified Allocation Plan (**QAP**) should prioritize RAD developments, many of which are in urban areas and currently penalized by the QAP. This would also further their relationship with PHAs which have access to land and homeownership vouchers. Moreover, the current point system of the QAP and priorities for funding must be reconsidered. Specifically, projects that are part of a court settlement should also be considered a priority, as well as the removal of barriers to funding based on poverty rates and jobs.

Foreclosure programs, discussed later, would also fall under the direction of the NJHMFA. The Agency can become the administrator for statewide bulk purchase foreclosure programs.

Costs: Increasing the cap on the NRTC is tax revenue forgone though the program has already proven to generate significant financial returns.

Reforming programmatic structure (within and across state departments/agencies) is revenue neutral and anticipated to save funds through efficiencies.

**III. PRIORITY: REDUCE BARRIERS TO CREATING HOUSING**

Brief Introduction: A commitment to reviewing existing laws and regulations will create a framework for removing impediments to creating housing for all needs and demographics. In a state with high property taxes, shortage of developable land, and other challenges, it is essential to remove barriers whenever possible that increase time and costs— making New Jersey less affordable. The Governor can illustrate his commitment to making New Jersey affordable by fast tracking inclusionary development, providing technical assistance to municipalities, and encouraging good government reforms.

Current Situation: New Jersey has multiple state agencies with housing related functions and over 500 municipalities with their own building departments, zoning rules and oversight functions. For a developer or non-profit operating in more than one municipality this can be confusing and costly. Excessive regulation, delays in approvals, and prohibitive zoning each increase project expenses and undermine delivery of units addressing the needs of New Jersey residents. In order for a developer or non-profit to build or preserve affordable or market rate housing in a low-income area the projects must be financially feasible. In too many municipalities, despite best intentions of project sponsors, projects are not being started and or completed due to fiscal constraints. Unnecessary and excessive regulation has the same affect. Furthermore, there is a lack of technical expertise within municipalities that needs to be addressed. Local support of inclusive development, without overstepping home rule, is key for implementation.

**i. Recommendation: Streamline approvals for inclusionary development**

The Governor can, by Executive Order, create a mechanism to allow by-right development approvals for projects that increase housing supply. If a proposed development that includes affordable units meets all the criteria of the underlying zoning for its proposed location, granting it by-right approval without an extensive application process can help reduce the developer's costs and administrative time, providing greater incentive to include affordable units. With the creation of the Statewide Commission on Housing, any criteria for this process can be addressed.

**ii. Recommendation: Task the Statewide Commission to remove impediments and regulations to building**

In the face of federal changes and limited funding, other barriers to housing production must be addressed. As referenced in the first recommendation, the Senior Deputy Commissioner and the Statewide Commission on Housing will address the various barriers to low and middle-income housing for New Jerseyans. This will include overhauling outdated regulations, streamlining processes for a more innovative government, including a review of the Licensed Site Remediation Professional (**LSRP**) program that privatized site remediation programs. Additionally, innovative programs vetoed by the previous administration, such as the Land Banking legislation, would facilitate avenues for single, multi-family, and mixed-use affordable development.

**iii. Recommendation: Increase support to Local Planning Services to provide technical assistance to municipalities**

The DCA Commissioner should support the Office of Local Planning Services (**LPS**) at DCA. LPS is an office within DCA that works with communities to achieve local land use and planning goals. DCA's professional planning staff offers comprehensive planning services at no-cost to local governments. Further support to this office will help ensure that municipalities are doing the most they can to promote healthy and balanced housing plans in line with the state's priorities and fair share obligations. Municipalities would also benefit

from increased technical assistance for identifying, tracking, and evaluating abandoned properties and the provision of the tools to do so. Partnerships with the Edward J. Bloustein School of Planning and Public Policy of Rutgers University and NJIT, for example, could increase State capacity for these purposes. This office may also bring back the capacity grants to nonprofits, which have a unique role in local community relations, to help them expand community development.

Costs: Streamlining approval for inclusionary development is revenue neutral and will promote statewide growth. Addressing other barriers through the Statewide Commission is also revenue neutral.

Increasing technical assistance to municipalities is estimated to minimally increase the budget allocation and exact costs will be determined before implementing the program.

#### **IV. PRIORITY: PROVIDE LEGAL ASSISTANCE TO INDIVIDUALS FACING EVICTION AND/OR FORECLOSURE**

Brief Introduction: Ensuring low-income New Jerseyans facing eviction and foreclosure have access to legal representation has the potential to create programmatic efficiencies and savings across multiple public systems serving these individuals, keep people in their homes, and support, in public perception and reality, a fairer economy. Governor-elect Murphy can implement a bold pilot program to address these issues, highlighting that assisting the vulnerable can be good government and cost effective.

Current Situation: Without a right to counsel in civil court, thousands of evictions and foreclosures go unchallenged and unmediated. Many low-income New Jerseyans depend on the Legal Services of New Jersey (LSNJ) for a myriad of legal issues, including housing issues. However, LSNJ has seen a drastic reduction in funding (funding went from \$72 million to \$40 million from 2008 to 2012). Recently implemented Right to Counsel pilots in New York City created significant reductions in shelter costs, welfare cost savings through prevention of job loss, and school savings through reduction in disruption for children. The city subsequently implemented the program permanently city-wide. Legal assistance may also increase efficiencies in use of homeless prevention dollars.

**i. Recommendation: Develop a pilot to provide legal representation for low-income New Jerseyans facing eviction and foreclosure**

The Governor can implement a pilot program by Executive Action and direct the DCA Commissioner to develop a plan and appropriate state staffing to oversee the project. People do not have a right to counsel in civil court the way they do in criminal court. The landlords and banks, however, always bring attorneys. It is difficult for tenants to attend daytime court hearings and the power dynamic puts the tenants at a severe disadvantage. The solution to this issue is publicly funded legal aid for housing court. This would be a cost-effective way to prevent eviction, foreclosure, homelessness, and landlord abuse/discrimination. During a pilot program in the Bronx, the provision of legal aid during the housing court hearing reduced eviction by 86%. It cost \$450,000 to serve 1,300 families but saved \$700,000 in estimated shelter costs alone. While in court, families are connected to social services. It is a small price to pay to keep families stable, kids in school, prevent homelessness, and support a fairer economy. The administration can create a similar pilot program dedicating \$500,000 to \$1,000,000 for one or two pilot counties that anticipate yielding similar results with a long-term view to expand statewide.

The pilot will operationalize a plan to develop close partnership with Legal Services of New Jersey and with local law schools (for pro-bono student requirements) to support program

infrastructure, development, and operations. This system will additionally benefit those in foreclosure in need of mediation.

**ii. Recommendation: Enforce the New Jersey Law Against Discrimination**

Additionally, the New Jersey Law Against Discrimination (**NJLAD**) must be enforced to the full extent of the law. This will ensure that all people are protected, not unduly denied housing or removed from housing. The Attorney General may assist with this goal of monitoring and upholding fair housing principles. Enforcing the NJLAD will provide additional support for fair housing, equal opportunity, quality housing conditions, and keeping people in their homes.

Costs: Depending on the scope of the pilot, the program is estimated to cost \$500,000 to \$1 million. Eventually, tracking and evaluating program outcomes will determine savings (from homeless prevention, shelters, jails etc.) which can be repurposed into sustainably funding the program.

**V. PRIORITY: WORK TO END HOMELESSNESS IN NEW JERSEY**

Brief Introduction: New Jersey can seek to reduce homelessness by developing a data driven, comprehensive statewide strategy that encourages responsible public/nonprofit/private partnerships and operates with Housing First principles. Governor-elect Murphy can set a progressive Housing First policy, support innovative department streamlining, and increase the Homeless Trust Fund. Prioritization of those populations most seriously failed by our social systems often experiencing expensive, super utilization across multiple public systems (healthcare, jail, school absenteeism) creates opportunities to reinvest savings from innovative programming.

Current situation: Presently, there is a lack of comprehensive strategy addressing homelessness and disjointed efforts across multiple departments at DCA, DHS, DMHAS, and DCF create an inefficient and cumbersome approach to end homelessness. Policies have not adequately supported or addressed the needs of our state's most vulnerable populations and fostered a culture of rejection. In order to support the Governor-elect's promise of a fairer and stronger New Jersey economy, we can seek to address homelessness in our state grounded in common sense guiding principles and encourage best practices to be implemented at a statewide level.

**i. Recommendation: Direct New Jersey to operate as Housing First**

Governor-elect Murphy should declare New Jersey a Housing First state, meaning we move towards a permanent, supportive housing model and strive to uphold key Housing First principles. This creates smart, lean, government that is able to both better serve individuals and reinvest savings back into the system and allow for the best use of state resources. It also redirects Emergency Assistance policies, eliminating "compliance review" determination of an individual "causing their own homelessness", and would allow additional lifetime benefits. Beyond simply ceasing the "compliance review", systems must move toward collaboration across systems and funding streams. Prevention should be prioritized, starting with universal legal assistance (see the fourth recommendation).

The Statewide Commission should develop the statewide Housing First initiative focused on individuals experiencing the most extreme utilization of multiple public systems (jail, healthcare, school absenteeism) that will generate savings across public systems and allow for continued reinvestment into housing for other populations. Reinvestment of generated savings may provide housing for individuals not eligible for scarce federal housing vouchers,



rental subsidies, and support services. Further, DCA can support creative solutions to address DCA's limited resources for vouchers. For example, Hudson County used Welfare Trust Fund money for vouchers and services to house frequent users of county jails and shelters.

**ii. Recommendation: Develop a sustainable and collaborative approach to homelessness**

Governor-elect Murphy and the Lieutenant Governor should set a clear DCA directive to encourage a statewide, coordinated approach and expectations for each regional Continuum of Care (**CoC**). First, directing DCA's Director of Housing to combine homeless programs for more effective and efficient use of funds. This includes recognizing county CoC homeless planning bodies as the lead for homeless activities. HUD and national homeless advocacy groups have drastically improved the best practices around ending homelessness. In many communities, Comprehensive Emergency Assistance Services (**CEAS**) and CoC are combined. The State should consider wrapping Health and Human Services CEAS/Social Services for the Homeless funding under the same umbrella of the CoCs which are required to have boards similar to CEAS. There is no need to duplicate this process for multiple departments and funding streams.

State funding around homelessness should always require coordination with CoC and Coordinated Entry. This would tie to prevention dollars and NJHMFA/Tax Credit set asides as well as how county welfare agencies work with the local homeless system. The New Jersey Interagency Council on Homelessness memorialized many of these suggestions in 2014 but they have yet to be implemented.

Finally, direct DCA to determine the viability for a standardized universal application for state aided public housing (as implemented in Massachusetts).

**iii. Recommendation: Endorse legislation to allow counties to increase Homeless Trust Funds**

Governor-elect Murphy should endorse legislation expanding the Homeless Trust Funds. Currently, 10 counties have passed the Homeless Trust Fund. In these counties, a \$3.00 fee is imposed on each recorded document, with few exceptions. The funds pool to form the Homeless Trust Fund, which is used to provide flexible funding to cover gaps in services, such as shelters or Emergency Assistance. Several counties that found great success with the Homeless Trust Fund wish to raise the fee but cannot because the enabling legislation does not allow for it. Legislation similar to the previously proposed Homeless Trust Fund Expansion (A4132/S3046) would allow counties to raise the fee from \$3 up to \$10, if they so choose.

Alternatively, the State could impose a blanket \$3.00 fee on all recorded documents (or a subset thereof, i.e. property recordation) to be placed into a statewide Homelessness Trust Fund. These funds could then be distributed to counties based on need and administered by the local Continuum of Care (CoC). The county CoCs oversee the homeless services and programming and would serve as the mechanism for administration without creating an additional administrative burden.

**iv. Recommendation: Ban tenant "blacklisting"**

Governor-elect Murphy should ban tenant "blacklisting" by executive action or legislation. Too often, those who lose their home in a difficult moment or are trying to re-enter after time

in an institution cannot find housing they can afford. This is further complicated when landlords use “tenant blacklisting” practices. When landlords review apartment applications they may investigate to see if a tenant is “blacklisted”.

Blacklists are compiled when courts sell lists of tenants that appear in housing court, regardless of fault, reason, or outcome. A tenant could escrow rent because a landlord has not repaired a major issue, like heat in winter, and the landlord then sued for nonpayment of rent.

A landlord could attempt to evict a tenant and should the tenant win, the tenant would still appear on the blacklist. Most lists do not distinguish the reason why the tenants appear and landlords do not want risk. This exacerbates the housing crisis and pushes people toward homelessness.

Costs: Currently, with programs addressing homelessness operating out of many departments there are inefficiencies and redundancies. Consolidating these departments and streamlining will not only save costs for DCA, but will be easier for service providers to use, and easier to track effectiveness and outcomes. Additionally, more effective partnerships across agencies (jails, Medicaid etc.) will provide additional funding and cost savings. Multiple county pilots have demonstrated savings by providing housing to frequent users of shelters, hospitals, and jails.

Allowing counties to increase the Homeless Trust Fund is revenue generating. It will provide much needed additional flexible dollars to local counties- possibly tripling sources- and municipalities to support service providers. The barriers to implementation are structural before the data driven savings reap returns.

Tenant blacklisting proposals are a regulatory change and revenue neutral.

## **VI. PRIORITY: COMBAT THE FORECLOSURE CRISIS**

Brief Introduction: In order for New Jersey to recover from the foreclosure crisis, it must both prevent further damage to homeowners and repurpose the glut of foreclosed housing stock as affordable homes. With aggressive action from the Attorney General, New Jersey can obtain its rightful share of Wall Street settlements and begin to address the crisis. Executive leadership can put the foreclosed and vacant homes to use as affordable homeownership and rental opportunities. Further action from the legislature to reintroduce previously passed bills will codify necessary foreclosure prevention mechanisms.

Current situation: New Jersey continues to have the worst foreclosure rate in the nation. Governor Christie took the \$75 million in foreclosure aid and used it to fill budget holes. When the administration had the opportunity to sign on to a lawsuit against Bank of America, he refused. Governor Christie vetoed legislation that would have turned foreclosed vacant homes into affordable housing three times. Christie rejected opportunities to help those impacted by Sandy in foreclosure. New Jersey’s federal programs moved more slowly than anywhere else in the country. The administration’s refusal to support proven mediation and modification programs or reform regulation to address the crisis has left New Jersey struggling to recover. Foreclosure prevention programs have ended as state support ceased and federal funds exhausted. The main barrier to resolution in the immediate is the lack of funding and the need for legislative action to create sources for that funding.

### **i. Recommendation: Utilize foreclosed homes for affordable rental and homeownership**

FHA and Fannie Mae have developed programs to encourage nonprofits and government to acquire loans in targeted areas to improve outcomes for both borrowers and their

communities. Under Executive Action by Governor-elect Murphy, NJHMFA can facilitate a bulk acquisition of non-performing mortgage loans and partner with local organizations. This serves two main purposes. First, by helping underwater homeowners obtain meaningful mortgage modifications with principal reductions “right-sized” to the current value of the home, families can stay in their homes and begin repairing their credit. Local groups such as New Jersey Community Capital have successfully demonstrated this approach.

Second, NJHMFA can repurpose foreclosed/abandoned homes with the bulk acquisition of nonperforming mortgage Loans from FHA and Fannie Mae. On average, 45% of the loans in these bulk mortgage pools are on vacant homes. These pools have proven to be a tremendous opportunity for repurposing vacant, foreclosed homes as quality, affordable housing. New Jersey should also consider implanting an accelerated foreclosure process for vacant properties, further enhancing the speed with which vacant homes become affordable options. FHA and Fannie Mae have been selling non-performing mortgage notes since 2012, including loans in New Jersey, and still have thousands of New Jersey loans in their portfolios. Such a program would operate very similarly to the program proposed in NJ Residential Foreclosure Transformation Act vetoed by the previous governor. The Act would have empowered the NJHMFA to purchase foreclosed residential properties and mortgage assets from institutional lenders in order to produce affordable housing.

Governor-elect Murphy can swiftly move this program into action by Executive Action with broad support from the legislature.

**ii. Recommendation: Prevent Foreclosure, endorse legislation to codify mediation program**

With federal funds exhausted, New Jersey does not currently have a mediation program for its homeowners in foreclosure. Previously, homeowners in foreclosure had access to pro bono housing counselors, legal assistance, and mediators to negotiate with the lender. Governor-elect Murphy should endorse the codification of the mediation program. The program would provide homeowners with the opportunity to negotiate their foreclosure and find a viable option for solvency. Currently proposed legislation revises residential mortgage foreclosure to require mortgage loan servicers to initiate a process to consider loss mitigation options through the New Jersey Judiciary Foreclosure Mediation. The Right to Counsel, addressed earlier in this document, will provide a critical compliment to foreclosure prevention. With counsel, or non-legal mediators, some homeowners can avoid the foreclosure process entirely.

Additionally, the proposed legislation operates on filing surcharges placed on foreclosure filings. Multiple counties throughout the state currently have such a filing system in place with great success. The Governor should endorse legislation to create a Foreclosure Prevention and Neighborhood Stabilization Revolving Trust Fund financed through a temporary \$800 surcharge, to be paid by the lender, placed on each foreclosure complaint filed in the State. It is anticipated it will generate \$10 million a year for qualified non-profit entities to maintain and/or expand their foreclosure prevention programs including additional housing counselors. Through this program, the state could also track foreclosure activity, providing a more comprehensive view of the issue at hand and more effective partnership with programs to use the vacant homes, should the foreclosure complete.

**iii. Recommendation: Revision of regulations impeding foreclosure programs**

The Governor should waive arm's length transaction rules for Community Development Financial Institutions (**CDFIs**) and nonprofits to facilitate principal reduction by Executive Action. Arm's length transaction rules were designed to ensure both parties are acting in their own self-interest during a sale. However, they obstruct programs designed to assist homeowners in foreclosure. Suspension would allow for programs like Boston Community Capital's SUN to refinance mortgages to the original homeowner on affordable terms. Currently, without this regulatory change, SUN has only been able to work with approximately 60 New Jersey homeowners. States like Massachusetts and Rhode Island, have passed legislation that strictly allows arm's length regulation to be waived only for CDFIs or nonprofits in foreclosure transactions.

The Creditor Responsibility Law (N.J.S.A. 46:10B-5) should be revised to allow municipalities to file liens on registration fees when the creditor neglects maintenance on the home. In 2014, the Creditor Responsibility Law was modified by Assembly Bill A347, which only requires creditors to maintain the land/property of a home, which becomes vacant during foreclosure, but not the home/structure. Without this provision, lenders have no responsibility for the home itself and the building can deteriorate. The law should revert to the original text, requiring the creditor to maintain both land and structure.

**iv. Recommendation: Direct the Attorney General to pursue Wall Street settlements**

The Governor should require the Attorney General to participate in all Department of Justice and Consumer Financial Protection Bureau settlements, pursuing legal action against lenders for their role in the foreclosure crisis. New Jersey should approach and secure a share of Department of Justice Settlement Funds from "50 state" financial institutions—those banks with settlement credit obligations in all 50 states—for innovative foreclosure intervention. Although New Jersey has the highest rate of foreclosures, the State has not been aggressive in pursuing DOJ settlement funds. The State of New Jersey should also evaluate and consider pursuing individual state settlements from financial institutions with DOJ Settlement obligations, similar to the individual state settlements negotiated by the State of New York. In total, these funds, estimated to be as much as \$600 million, will support the mediation programs as well as help write down the cost for the bulk purchase programs to make homes more deeply affordable.

Costs: Fortunately, the mechanisms to address foreclosure come with ample funding options. The surcharges on filings will fund the mediation efforts and may additionally support legal counsel as well. These surcharges are estimated to generate more than \$10 million a year, more than enough to support the programming.

The Wall Street Settlements, estimated at as much as \$600 million dollars for New Jersey, will provide much needed funding to address foreclosure and may also support additional programming to make homes affordable such as the Building a Thriving New Jersey initiative.

Finally, regulatory and programmatic proposals such as the arm's length waiver are revenue neutral.

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The Governor, Lieutenant Governor, and the entire senior transition team staff greatly appreciate the immense amount of work, participation and expertise that all our co-chairs, committee members and deputy directors who staffed each committee provided since the transition began in November. This hard work and positive energy about how New Jersey can once again become a national leader has resulted in a robust set of recommended priorities and actions for the incoming administration to consider. As with any collaborative endeavor, many recommendations and opinions were expressed and debated during the committee meetings and the drafting of the reports by co-chairs, committee members, and Deputy Directors. The final reports may contain recommendations that do not reflect the concurrence of all co-chairs or committee members, nor of the organizations they represent. These reports are purely advisory and do not reflect the positions of the Governor-elect or any other elected official.



# Report of the Human and Children Services Transition Advisory Committee

Submitted to Governor-elect Phil Murphy and Lieutenant  
Governor-elect Sheila Oliver

January 1, 2018

## EXECUTIVE SUMMARY

The Human and Children Services Transition Advisory Committee recommends that the Governor-elect consider the following recommendations to accomplish the following eight key priorities:

- I. Priority: Strengthen and modernize New Jersey’s critical social services network**
  - i. Advance technological coordination
  - ii. Eliminate state and local structural barriers
  - iii. Increase cultural and linguistic inclusion
  
- II. Priority: Support our nonprofit partners and community-based programs**
  - i. Establish a nonprofit resource center
  - ii. Work with the state’s universities to subsidize internships at nonprofit organizations
  - iii. Monitor fee-for-service transition
  - iv. Increase economic opportunities for direct support professionals
  
- III. Priority: Transform child protection**
  - i. Support and monitor child welfare reform
  - ii. Continue juvenile detention alternatives initiative
  
- IV. Priority: Advance the health and well-being of all our children and work to ensure their economic well-being for the future**
  - i. Create a child and dependent care tax credit
  - ii. Increase access to quality and affordable child care
  
- V. Priority: Behavioral healthcare integration**
  - i. Return mental health and addiction services to Department of Human Services
  - ii. Set aside conflicting and confusing
  
- VI. Priority: Expand violence prevention and survivor assistance**
  - i. Promote sexual assault prevention and assistance efforts
  - ii. Reduce domestic violence and better assist survivors
  - iii. Improve efforts to combat human trafficking
  
- VII. Priority: Engage and support individuals with special needs and their families**
  - i. Make government employment more inclusive
  - ii. Enhance emergency preparedness and response systems
  - iii. Recognize family partners
  - iv. Foster competitive employment for New Jerseyans with disabilities
  
- VIII. Priority: Begin reforms in New Jersey’s major income maintenance and public assistance programs toward a system that enables recipients to be better prepared for the workforce and become economically self-sufficient.**
  - i. Begin reforms at WorkFirst New Jersey
  
- IX. Priority: Improve patient experiences and the quality and cost effectiveness of care in New Jersey’s Medicaid program**

## REPORT

### **I. PRIORITY: STRENGTHEN AND MODERNIZE NEW JERSEY'S CRITICAL SOCIAL SERVICES NETWORK**

The committee recommends that the Murphy Administration take administrative action to advance coordination, communication, and data sharing across state and county government, while also increasing accessibility by correctly aligning programs and reducing duplication. We must ensure that the agencies administering programs and services have the appropriate infrastructure and mechanics to be effective. We further recommend empowering residents by making service delivery more culturally and linguistically inclusive.

#### **i. Recommendation: Advance technological coordination**

Together, the Department of Human Services (DHS) and the Department of Children and Families (DCF) employ almost 20,000 people and account for approximately \$12.6 billion in annual appropriations. DHS alone administers services and supports to over 1.5 million people. However, there is neither a common computer system linking applications for various assistance programs nor a single-point of entry for applicants and beneficiaries to engage with the social service network. Instead, residents must interface with multiple different government and community agencies to access the full-range of programs for which they may be eligible.

A significant prior effort to address this issue was unsuccessful. In 2007, the State entered into a \$118.3 million contract with a private vendor to develop CASS, the Consolidated Assistance Support System, and work began in 2009. The goal was to streamline the eligibility and enrollment processes for all public assistance and Medicaid programs by connecting the State's computer system with the 21 county welfare agencies responsible for processing applications. Following technological roadblocks, challenges associated with requirements of the then-new Affordable Care Act, significant procurement obstacles, and irreconcilable challenges with the vendor, CASS was abandoned in 2014. The federal government covered approximately 90% of the project costs and agreed with the decision to terminate the effort. New Jersey spent an estimated \$17 million and was awarded a \$7.5 million refund from the vendor. A 2015 KPMG follow-up report included a number of recommendations, such as using a lower-risk, incremental and modular-based approach towards modernization, as well as implementing technological successes found in other states. Existing procurement rules precluded the State from acting upon much of what KPMG recommended, including implementing an IT system used in Florida.

The committee recommends that within the first six months the Murphy Administration take administrative action to evaluate the use of the modular-based approach in New Jersey, survey the IT systems used in other states, develop a strategy for enhanced systems coordination with clear benchmarks for progress, and direct the Department of the Treasury and its Division of Purchase and Property to support this approach.

Costs: Initial investment in reviewing and upgrading the State's technology capability could have the potential to create efficiencies and cost savings in the future, as some current procedures could become more systematic and personnel redirected to fill other much needed functions in the agencies' missions.

#### **ii. Recommendation: Eliminate state and local structural barriers**



Governor-elect Murphy campaigned on leading a government that works for the people, especially children, families, senior citizens, individuals with special needs, and the economically disadvantaged. That can only happen if services and supports are easily accessed. Often, a primary roadblock is government bureaucracy, evidenced by programs and services overlapping multiple departments. Policy decisions, funding, and program initiatives for children span at least four departments while substance abuse is covered by at least five.

This fragmentation has affected the administration of services, for example: The Division of Vocational Rehabilitation Services (DVRS) within the Department of Labor and Workforce Development (DOLWD) assists with job placement, including for individuals with disabilities. Similar services are offered by the Commission for the Blind and Visually Impaired and the Division for the Deaf and Hard of Hearing (DDHH), within DHS.

We recommend that the Murphy Administration take administrative action in the first six months to critically evaluate similar and/or connected programs across state government that serve individuals with disabilities, children, senior citizens, and low-income individuals and families. The review should be conducted with representatives from relevant departments with the objectives of increased consumer access, enhanced leveraging of funding, better alignment of programs with their funding sources, improved staff utilization, and elimination of duplication. Recommendation should be conceived with consumer and other stakeholder consultation.

Costs: No additional appropriation necessary.

**iii. Recommendation: Increase cultural and linguistic inclusion**

To be effective, New Jersey's social service network must be inclusive of users and employees of all cultures and languages. Statewide voter registration forms are now available in eight languages, but our social services systems have not yet caught up.

The committee recommends that the Administration task each department responsible for processing or administering assistance programs to survey provider agencies and community organizations holding State contracts on unmet language needs, such as eligibility instructions and enrollment forms and increasing cultural competence among employees. The relevant departments should include, but not be limited to, DHS, DOH, DCF, DOLWD, the Department of Education (DOE), the Department of Community Affairs (DCA), the Department of Military and Veterans Affairs (DMAVA), the Department of State, and Treasury. A common translation contract should be utilized across departments, to the extent possible. Additionally, the JAWS system, which ensures accessibility to services for blind and visually impaired individuals, must be included in contracts negotiated and managed by OIT.

Costs: Survey of agencies would be no cost; resources would be necessary for updating forms and systems and training employees in cultural competency.

**II. PRIORITY: SUPPORT OUR NONPROFIT PARTNERS AND COMMUNITY-BASED PROGRAMS**

This committee recommends that the Murphy Administration take administrative actions to provide hands-on assistance to nonprofits, promote provider agency sustainability under the fee-for-service model, and increase economic opportunities for direct-support professionals.

**i. Recommendation: Establish a nonprofit resource center**

The nonprofit community in New Jersey is now responsible for the majority of services and supports provided outside of hospital-based settings. Over the past decade, a significant portion of care for individuals with developmental disabilities, behavioral health conditions, and mental health diagnoses has moved to community settings. In addition, in 2015 DHS began to implement the Managed Long Term Services and Supports (MLTSS) program. It is designed to shift long-term care for senior citizens and the chronically ill from nursing homes to community-based settings. The trend is towards greater reliance on community organizations to care for individuals in our state, while public and private funds come with ever more requirements.

The committee recommends that in the first six months the Murphy Administration take administrative action to establish a Nonprofit Resource Center. The center should be tasked with providing navigational, technological, business, and compliance assistance through a live resource specialist, available by phone or live-chat. Further, the center should work to review and eliminate unnecessary or outdated regulations and processes that burden small nonprofits with limited personnel and resources.

Costs: There may be costs associated with hiring if the center is not staffed by existing State personnel. Some cost savings can be achieved by establishing the Nonprofit Resource Center in tandem or informed by the State's efforts to improve small business services.

**ii. Recommendation: Work with the state's universities to subsidize internships at nonprofit organizations**

In today's highly competitive labor market, internships have become an essential qualification for students to secure a job upon graduation. However, most nonprofits cannot afford to pay to hire an intern, and many students cannot afford to take an unpaid internship. A Nonprofit Resource Center could work with the state's universities to raise money from philanthropic entities to pay for stipends for students to work at organizations in the nonprofit sector, and could also be a resource to advertise internship positions at organizations around the state who wish to participate.

**iii. Recommendation: Monitor fee-for-service transition**

Historically, mental health, substance abuse and developmental disabilities service providers have been funded through a contract-based system. Over the past year, most addiction services and mental health providers have moved to a fee-for-service payment model and developmental disability providers are in the process of doing the same. Providers have expressed significant concerns with the reimbursement rates and their ability to remain in business under the new payment system. The Legislature responded with P.L.2017, c.85, enacted in May 2017, which provides monitoring for the new system. The law calls for independent stakeholder oversight boards, one for the developmental disability system and one for the substance abuse and mental health system. The law also requires an independent, contracted evaluation of the transition in each system. The law has not yet been implemented.

The committee recommends that the Murphy Administration take executive action within the first 100 days to appoint members to the Independent Mental Health and Addiction Fee-for-Service Transition Oversight Board and the Independent Developmental Disability Fee-for-Service Transition Oversight Board. We further recommend that administrative action be taken to enter into contract for the independent evaluations required by the 2017 law.

**iv. Recommendation: Increase economic opportunities for direct support professionals**

Approximately 25,000 residents with developmental disabilities are eligible to receive some type of community-based service. DHS contracts with approximately 200 provider agencies to deliver these services. Employees often care for persons with complex medical conditions and severe behaviors; yet, the average direct support professional (DSP) hourly rate is \$10.50 - \$11.00.

In the most recent budget deliberations, the Coalition for a DSP Living Wage Campaign requested an increase of \$1.25 per hour per year, every year for the next five. In the first year, this would cost \$36 million in State appropriations to be matched by the same amount in federal funds. The Fiscal Year 2018 budget includes \$20 million for DSPs who provide children's behavioral health services and assist children and adults with developmental disabilities employed by providers under contract with the State. That funding has not yet been allocated.

The committee recommends that the Murphy Administration take administrative action within the first 100 days to distribute the \$20 million FY 2018 budget appropriation. To ensure that the intended recipients receive a pay increase, the Administration must define the position of DSP and establish a transparent allocation scheme that accounts for the new fee-for-service model.

**III. PRIORITY: ADVANCE THE HEALTH AND WELL-BEING OF ALL OUR CHILDREN AND WORK TO ENSURE THEIR ECONOMIC WELL-BEING FOR THE FUTURE**

**i. Recommendation: Support and monitor child welfare reform**

The committee recommends that the Murphy Administration take administrative action to enhance oversight of child welfare reform efforts, support child welfare workers, increase recruitment of diverse child welfare advocates, and expand juvenile justice reform efforts.

A strong, effective child welfare system requires a robust commitment to the safety of children and a focus on the many ways government and community partners can strengthen New Jersey's families. This work goes beyond the State's responsibility under the class action suit *Charlie and Nadine H. v. Christie*. Building upon and improving the State's current performance in that lawsuit is central. The Federal Monitor of the lawsuit, charged with independently assessing compliance with the goals, principles and outcomes of the Sustainability and Exit Plan (SEP), is expected to deliver the next semi-annual report to the Court in January 2018. The most recent report offers a roadmap of historic progress and, more importantly, challenges yet to be mastered. While the new administration works to meet unmet goals, DCF leadership must also work to sustain the positive reform-based changes. This will be especially critical when New Jersey is no longer under federal oversight.

We recommend the new administration pay close attention to the Federal Monitor's reports and focus on improving the prevalence of visits between caseworkers and children, the frequency of Family Team Meetings, and the quality of case practice. The Federal Monitor's most recent report also lists numerous DCF published data reports. We recommend the new Administration sustain these reports and grow the department's commitment to transparency and accountability.

The new Administration must also support DCF's workforce, which demonstrates daily their commitment to the safety and well-being of New Jersey's children. In 2016, Governor Christie

vetoed legislation to increase security measures for employees following multiple attacks on caseworkers. We recommend that the Administration review DCF safety protocols to ensure that caseworkers have the necessary security and support to effectively perform their duties.

In addition, to stem the tide of adolescent homelessness, we recommend that DCF be directed to examine its contract language prohibiting agency partners from serving young people age 21 and over. The new Administration should consider the experiences of States that have more effectively reduced youth homelessness by creating bridges for at-risk youth, including more flexibility for young people to be served after their 21<sup>st</sup> birthdays.

The Administration should also expand outreach to the increasingly diverse populations involved in the child welfare system. Home removals and temporary placements are often traumatic and confusing for children. It is important to minimize disruption by placing them whenever safe and possible with kin, or persons who speak the same native language or share a cultural background. The same commonalities are also useful as a child moves through the welfare system.

Court Appointed Advocates (CASA) are assigned one child at a time and stay involved until their assignment is resolved, while county-based Child Placement Review Boards review cases 45 days after children enter placement. We recommend that the Murphy Administration develop public awareness and recruitment campaigns aimed at communities underrepresented as resource families for youth served by the Division of Child Placement and Permanency (DCPP), as CASA volunteers, and as members of Child Placement Review Boards. These efforts should be in partnership with local organizations able to help recruit from their communities.

**ii. Recommendation: Continue juvenile detention alternatives initiative**

Over the past 13 years, New Jersey has become a model for youth detention reform and the new Administration must sustain this effort. From the 1990s to the early 2000s, New Jersey's youth offenders experienced institutional detention in extremely overcrowded centers. Then in 2004, the State partnered with the Annie E. Casey Foundation's Juvenile Detention Alternatives Initiative (JDAI). In 2008, New Jersey was designated a national model. Under the leadership of the Juvenile Justice Commission, JDAI actively works in 18 counties to ensure that secure detention is reserved for serious offenders, while the majority of youth offenders are diverted to effective community alternatives. The program also strives for better conditions in the remaining detention facilities. Additional improvements were made in 2015 when P.L.2015, c.89 was enacted, which requires data collection, limits solitary confinement, and increases protections during transfer to adult facilities. There are current plans to close the New Jersey Training School for Boys, known as Jamesburg, and the Female Secure Care and Intake Facility for young women, and to replace them with smaller centers. The initial proposal called for three centers with 50 beds each. A revised plan would establish two larger centers with 70 beds.

The committee recommends that the Murphy Administration move forward with the planned facility closures and review the establishment of new centers. Closing Jamesburg is estimated to result in annual savings of \$44 million, while the estimate for three new detention centers is \$170 million. Any changes in the youth detention structure must be in line with national best practices for rehabilitating youth offenders in smaller, less institutional settings. We recommend working with the Juvenile Justice Commission to ensure that any system changes move New Jersey forward under JDAI and expand community-based alternatives to detention. Further, we recommend that the Administration consider investing any realized savings into community programs, particularly those focused on prevention of youth detention. This has not been the case under JDAI when detention was reduced or centers closed.

Costs: Savings from closing detention centers should be reinvested into programs supporting community-based alternatives and prevention programs.

#### **IV. PRIORITY: TRANSFORM CHILD CARE**

The committee recommends evaluating the child care and early childhood development systems to increase quality, accessibility, and affordability.

##### **i. Recommendation: Create a child and dependent care tax credit**

Access to affordable and high-quality child care is crucial to women's abilities to secure and maintain employment. Over 400,000 children under the age of six live in families in which all parents work, yet child care is out of reach for the majority of these families in New Jersey. A typical family in New Jersey with two children pays over \$21,000 annually in child care costs, or a quarter of the average family's pre-tax income.

The creation of a child and dependent care tax credit to help families burdened by child care costs is essential to ensure the best possible outcomes for our children's futures, as well as support one of the largest industries in the state. New Jersey's child care industry generates \$1.8 billion in direct revenues each year, and employs approximately 51,000 individuals.

In the first six months, an interagency team should study how the child and dependent care tax credit works in the 23 States that currently offer it, as well as the feasibility and economic effects a credit would have in New Jersey.

##### **ii. Recommendation: Increase access to quality and affordable child care**

As part of Governor-elect Murphy's pledge to build a stronger and fairer economy, it is essential for families to have access to affordable quality child care. According to Advocates for Children of New Jersey (ACNJ), 400,000 children under the age of 5 need some form of child care because their parents are working. The Child Care Subsidy Program, a federal and state partnership, covers some or all child care expenses depending on income level or work status. Approximately 65,000 subsidized children per month are served by about 5,000 providers.

In recent years, child care providers receiving subsidies have faced significant strains on their ability to maintain quality and to even remain open. The subsidy rates have been stagnant since 2008 while much-needed quality improvement measures, such as the federal grant program Grow NJ Kids, have heightened the hiring criteria and correspondingly increased salaries for professionalized child care workers. About 880 centers currently participate in Grow NJ Kids. In 2011, the Division of Family Development (DFD) instituted the e-child care program, in part, to address documented fraud in the industry. The program requires parents who receive a subsidy to swipe their children into day care. Providers report that this often requires the employment of an additional certified worker without more funding.

Further, centers caring for infants have received a subsidy rate of \$161 per child per week, which equates to approximately \$4 per hour, while the average private tuition for an infant is \$244 per week. Staff ratios, safety standards, and employee certification for infant care are and must be the same whether a child's attendance is subsidized or not. The result is that centers are moving away from infant care to higher-reimbursed age groups. This limits the options for working parents who rely on the subsidy, forcing them to use unlicensed/unregulated arrangements. ACNJ

estimates that equalizing the infant rate to \$244 per week would result in an annual cost increase of \$42 million, not inclusive of any federal funding or family co-pay offsets.

In December 2017, the Christie Administration announced an increase of 1%-4% for child care centers receiving subsidies through the Child Care Subsidy Program to be phased in by DHS over the first half of 2018. The Christie Administration seems to indicate that this will cost \$15 million in funds already appropriated in the FY 2018 Budget in addition to the current \$300 million funding for child care subsidies.

The committee recommends that within the first six months the Murphy Administration undertake an administrative evaluation of the child care and early education systems. The assessment should review the reimbursement rates and newly announced changes, subsidy eligibility and enrollment criteria, and quality and performance standards. Consideration of raising the reimbursement rates should include the impact of any increases to the minimum wage on the child care industry. It is critical to hear from representatives of relevant State departments, such as DHS and DOE, child development experts, operators of child care centers, early childhood educators, parents, and members of the business community.

Costs: Significant impact to the budget of at least \$42 million if infant care reimbursement rates are raised.

## **V. PRIORITY: BEHAVIORAL HEALTH CARE INTEGRATION**

This committee recommends that the Murphy Administration prioritize substantive integration of behavioral health care with primary care. We recommend housing mental health and addiction services in the Department of Human Services. We also recommend taking executive and/or administration action to address regulatory challenges to integration.

### **i. Recommendation: Return mental health and addiction services to Department of Human Services**

Integration of behavioral health care with physical care, typically primary care, is critical to preventing and treating substance abuse, behavioral and mental health diagnoses, and even physical conditions. Evidence shows that integrating care reduces stigma, increases overall access to health care services, improves patient outcomes, and may decrease system wide costs. Yet, as Professor John v. Jacobi finds in the 2016 report “Integration of Behavioral and Physical Health Care: Licensing and Reimbursement Barriers and Opportunities in New Jersey,” there are significant regulatory and payment system challenges to achieving true integration. New Jersey has taken steps in recent years to address these barriers, such as piloting behavioral health homes and implementing the Shared Space Waiver, which began the much-needed effort to simplify DOH’s licensure requirements for integrated care in licensed primary care settings.

On June 29, 2017, Governor Christie filed a Reorganization Plan to transfer the Division of Mental Health and Addiction Services (DMHAS) from the DHS to DOH, premised on furthering integration. Behavioral health experts and providers provided testimony before the Legislature opposing the transfer. Some of their concerns were as follows: tasking DOH with the administration of services when that department has primarily performed regulatory and licensing functions; splitting service delivery from Medicaid, the primary payer for public behavioral health care and wraparound services; separating mental health and addiction services from other

populations served by DHS, such as homeless persons and individuals with developmental disabilities; and instituting bureaucratic changes while behavioral health providers are transitioning from contract payment to fee-for-service.

The committee recommends that the Murphy Administration take executive action to transfer DMHAS, or the substantially similar functions of the division, back to DHS within the first 100 days. However, we also recommend that the unit licensing mental health and addiction services programs remain in DOH. This will begin to streamline licensing of behavioral health programs with primary care facilities, for which technical assistance will be needed. An approximate cost of the transfer is under \$100,000. DOH projected the initial move would cost \$115,000, which included moving DMHAS employees to former DHS office space and IT work. The division employees could remain in that location. In addition, any outside vendors contracted with DOH to facilitate the transition would also have to be considered.

**ii. Recommendation: Set aside conflicting and confusing regulations**

Traditionally, DOH licensed hospitals and other medical facilities, while DHS licensed behavioral health providers. Whether a facility provides inpatient or outpatient services also determines licensure requirements. Further, longstanding stigma surrounding mental health and substance abuse fueled an effort to keep primary and behavioral health care separate. The Legislature passed laws and regulations were promulgated reflective of this system. While the consensus now favors integration, outdated regulatory schemes still remain.

We recommend that within the first six months the Administration evaluate, in consultation with the Attorney General, whether an executive order or administrative action may be used to supersede the current regulatory framework governing the relationships, or lack thereof, between primary and behavioral health care. This would be more efficient and cost-effective than reviewing each problematic regulation.

**VI. PRIORITY: EXPAND VIOLENCE PREVENTION AND SURVIVOR ASSISTANCE**

This committee recommends that the Administration support ongoing legislative efforts to reduce sexual violence and take administrative action to better utilize existing stakeholder panels to advance domestic violence programs and policies. We also recommend more effective implementation of the State's human trafficking law and streamlining of separate crisis hotlines.

**i. Recommendation: Promote sexual assault prevention and assistance efforts**

The most recent data from Centers for Disease Control and Prevention (CDC) indicates that over 1.3 million women and over 500,000 men in New Jersey have experienced contact sexual violence. According the New Jersey Coalition against Sexual Assault (NJCASA), county-based sexual violence programs served approximately 10,000 survivors in 2016, free-of-charge.

Campus-based sexual assault has received significant, warranted attention in recent years. Pursuant to legislation, the New Jersey Task Force on Campus Sexual Assault convened and issued recommendations in June 2017. The recommendations include reauthorizing the task force for continued study and establishing a separate prevention task force.

We recommend that the Murphy Administration enact legislation reauthorizing the Campus Sexual Assault Task Force and creating a prevention-focused task force. The Administration

should also review the recent recommendations of the Campus Sexual Assault Task Force to determine whether any administrative actions may be taken to meet the outlined goals.

**ii. Recommendation: Reduce domestic violence and better assist survivors**

For decades, there have been continuous legislative and administrative efforts to reduce domestic violence. Since 1987, there has been an Advisory Council on Domestic Violence comprised of government and nonprofit representatives. In 2003, the Legislature created the Domestic Violence Fatality and Near Fatality Review Board. Yet, the State has not seen a significant decline in incidents. In 2015, there were 61,659 domestic violence offenses reported by the police. Children were involved or present 28% of the time, while 3,456 victims were elderly. 74% of victims were women.

In recent years, Essex, Union, and Morris Counties have established family justice centers. The Family Justice Model brings together multi-disciplinary professionals, such as crisis counselors, healthcare providers, law enforcement officers, and legal advocates, to provide survivors with one-stop assistance.

The committee recommends that the Murphy Administration undertake an administrative review of the Advisory Council on Domestic Violence and Domestic Violence Fatality and Near Fatality Review Board to determine how to better utilize these existing stakeholder panels. These advisory bodies were created to make informed recommendations to the Governor and could be effective tools in developing new policies, identifying funding opportunities, and supporting innovative programs, such as additional county-based family justice centers.

**iii. Recommendation: Improve efforts to combat human trafficking**

While survivors are not often public about their experiences, human trafficking happens in New Jersey. The National Human Trafficking Hotline reports 3,140 calls from the State since 2007 with a total of 933 cases reported. In 2016, the hotline received 569 calls from New Jersey. In 2017, Covenant House New Jersey released results from the largest ever New Jersey study on the prevalence of human trafficking among homeless youth. The report revealed that at least 9.2% of homeless youth, ages 18 to 22, were victims of sexual and labor trafficking at some point in their lives, most while they were homeless.

In 2013, New Jersey enacted the Human Trafficking Prevention, Protection, and Treatment Act. One provision of the law, the Prostitution Offender Program, has not yet been implemented. Further, there are two hotlines in use, the national hotline and a State hotline under the Office of the Attorney General. Promoting two hotlines creates a costly redundancy, reduces awareness of both numbers, and makes it difficult to collect comprehensive data on incident reports.

We recommend that within the first six months, the Murphy Administration take administrative action to designate a single hotline to be utilized and publicized. The Administration should work with human trafficking professionals to determine which hotline is most useful for New Jersey based on best data collection and victim referral opportunities. We also recommend that the Administration consider how to further implement the 2013 law, with the input of relevant stakeholders, including advocates, service providers, and law enforcement.



## **VII. PRIORITY: ENGAGE AND SUPPORT INDIVIDUALS WITH SPECIAL NEEDS AND THEIR FAMILIES**

This committee recommends that the Administration take administrative action to promote inclusive and accommodating employment practices. Further, we recommend working with stakeholders to make emergency systems more accessible and responsive to individuals with disabilities. Finally, we recommend advanced engagement caregiver families.

### **i. Recommendation: Make government employment more inclusive**

While some individuals with special needs may need services, many are also willing and able to serve our State as government employees. We must make sure the State is welcoming and accommodating for individuals with disabilities and therefore recommend that the new Administration review the State's current technology systems to ensure full accessibility and determine the same prior to investments in new technology.

### **ii. Recommendation: Enhance emergency preparedness and response systems**

New Jersey's emergency systems must be accessible and accountable to persons with special needs. Individuals with hearing or visual impairments, physical limitations, such as senior citizens, and cognitive disabilities, such as persons with Autism, are not only at greater risk during an emergency, but are also less likely to receive lifesaving information. Further, increased access to information and resources during storms or other disasters, makes it easier for persons with special needs to live and work independently. There have been some efforts, particularly in the aftermath of Superstorm Sandy, including the development of an interpreter training course for emergency communications. However, greater accommodations must be made.

The committee recommends that the Murphy Administration take administrative action to form a stakeholder working group of individuals with special needs and representative organizations, as well as representatives from State, county, and local emergency response units to determine how to better relay lifesaving information to special needs communities.

Costs: While the cost of the inquiry should be minimal, cost may be associated with recommendations, particularly for technology. Further, we recommend that the Administration utilize an interpreter during all major disaster updates to better communicate with the hearing impaired community in time of emergency.

### **iii. Recommendation: Recognize family partners**

The families of individuals with special needs are critical to the delivery of services in New Jersey. They are not only vocal and well-informed advocates; they are caregivers. An estimated 1.75 million people in New Jersey provide unreimbursed care to senior citizens or persons with disabilities. This will undoubtedly increase as the senior citizen population rises and care models promote at-home services over facility-based care. An existing Medicaid-based program in Division of Disability Services (DDS) allows for family members to qualify as paid caregivers. However, it may be underutilized.

The committee recommends that the Murphy Administration work with legislators to enact legislation establishing a caregiver task force to determine how best to assist this population as

their responsibilities and needs increase. This task force could also determine the most appropriate implementation strategy for a child and dependent care tax credit.

Costs: The task force cost should be minimal.

**iv. Recommendation: Foster competitive employment for New Jerseyans with disabilities**

Census data show that New Jersey has an estimated 921,000 people with disabilities as of 2015, of whom almost half (429,000) are of working age. Only 38% of people with disabilities of working age are employed, compared to 77% of people without disabilities. Poverty rates for people with at least one disability are more than twice as high as for those with no disability.

In the first six months, the Governor can begin to foster significant policy and program reforms that look to achieve substantial progress toward greater economic self-sufficiency of individuals with physical, developmental and/or psychiatric disabilities and a higher and more reasonable standard of living. With appropriate supports, all individuals with physical, developmental and/or psychiatric disabilities can work and support themselves, either fully or partially. An important first step would be to create an interagency working group that would develop recommendations for improving school-to-work transitions and access to career information, training, and job opportunities for people with disabilities. The working group would solicit input from workforce and disability experts both inside and outside of government, and include people with disabilities.

Specifically, the next administration can establish a streamlined process for people with disabilities to apply for State jobs, as has been done at the federal level using the Schedule A exception for qualified individuals with disabilities. The NJ Division of Vocational Rehabilitation has successfully used this program to place many people with disabilities in federal jobs. Further, there are several research opportunities being funded at the federal level the next administration can participate in that can build on New Jersey's short term disability insurance program to explore how to return people to work after disabling injuries, including the "Stay at Work/Return to Work Research and State Demonstration Projects."

**VIII. PRIORITY: BEGIN REFORMS IN NEW JERSEY'S MAJOR INCOME MAINTENANCE AND PUBLIC ASSISTANCE PROGRAMS TOWARD A SYSTEM THAT ENABLES RECIPIENTS TO BE BETTER PREPARED FOR THE WORKFORCE AND BECOME ECONOMICALLY SELF-SUFFICIENT.**

WorkFirst NJ, along with SNAP Employment and Training (E&T) are the major income maintenance and public assistance programs in the State. In existence for nearly 20 years, WFNJ was originally designed to get welfare recipients quickly into the labor market and closely followed the design of federal welfare reform models of that era. Today, New Jersey's public assistance caseloads have experienced significant declines (on average over 50% in the past three years) at the same time the labor market has dramatically changed due to technological advancements, automation, and globalization. Job seekers today must have stronger skills and more education in order to be successful and compete globally. A recent research report by Rutgers University reveals that while the State has been successful in meeting federal measures of success and reducing its caseload, the WFNJ program is not well regarded by either its recipients or its service providers, is not operating efficiently and effectively, and has not helped provide WFNJ recipients with the skills necessary to be successful in today's labor market.

**i. Recommendation: Begin reforms at WorkFirst New Jersey**

In the first six months, the Governor should establish a new vision and goal for WorkFirst New Jersey, the State's welfare program for TANF and General Assistance recipients. The program

should shift its strategy from a reliance on a labor market attachment model to an approach focused on human service investment. The administration should solicit input from local and state stakeholders, including program providers and recipients as well as employers and partners from labor and academia.

The administration can work to strengthen WFNJ and SNAP E&T program accountability and performance by improving standards, transparency, and communication to create a stronger culture of program improvement.

Finally, the State should begin a comprehensive review of WFNJ's technology infrastructure, and modernize the twenty-year-old administrative systems to give local caseworkers and welfare recipients' modern tools to help them assess progress toward career goals, report outcomes, and navigate the labor market.

**IX. Priority: Improve patient experiences and the quality and cost effectiveness of care in New Jersey's Medicaid program**

The following recommendations were worked on by co-chairs from the Healthcare and Human and Children Services Committees, and are discussed in more detail in the Healthcare report:

- i. Increase the use of evidence-based performance strategies in Medicaid managed care (MCO) contracts and Medicaid regulations.
- ii. Integrate care for individuals eligible for both Medicare and Medicaid.
- iii. Develop next-generation Medicaid Accountable Care Organizations (ACO).
- iv. Identify and Implement Medicaid program efficiencies

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The Governor, Lieutenant Governor, and the entire senior transition team staff greatly appreciate the immense amount of work, participation and expertise that all our co-chairs, committee members and deputy directors who staffed each committee provided since the transition began in November. This hard work and positive energy about how New Jersey can once again become a national leader has resulted in a robust set of recommended priorities and actions for the incoming administration to consider. As with any collaborative endeavor, many recommendations and opinions were expressed and debated during the committee meetings and the drafting of the reports by co-chairs, committee members, and Deputy Directors. The final reports may contain recommendations that do not reflect the concurrence of all co-chairs or committee members, nor of the organizations they represent. These reports are purely advisory and do not reflect the positions of the Governor-Elect or any other elected official.



Report of the  
Labor and Workforce Development  
Transition Advisory Committee

Submitted to Governor-elect Phil Murphy and Lieutenant  
Governor-elect Sheila Oliver

January 1, 2018

## EXECUTIVE SUMMARY

The Labor and Workforce Development Transition Advisory Committee recommends that the Governor-elect consider the following recommendations to accomplish the following two key priorities:

### **I. Priority: Reform workforce development and career training**

- i. Launch the NJ Career Network
- ii. Integrate Technological Resources to Improve Service Delivery
- iii. Transform Unemployment Insurance (UI) into Reemployment Insurance
- iv. Expand Work-based Learning including Apprenticeship and Pre-Apprenticeship Programs
- v. Remove Barriers to Entry for English Learners and Non-Citizens

### **II. Priority: Advance worker protection and empowerment**

- i. Raise the Minimum Wage to \$15/Hour
- ii. Ameliorate Gender Pay Equity Disparities
- iii. Improve Enforcement of Employment and Wage and Hour Laws
- iv. Curb Employee Misclassification Abuse
- v. Expand Paid Family Leave
- vi. Mitigate the Harm from Trump Federal Rule Changes
- vii. Institute Statewide Mandatory Earned Sick Leave
- viii. Prohibit Unfair Scheduling Practices
- ix. Ensure That Workers Benefit from State Contracting and Incentives
- x. Adapt to the “Gig Economy”
- xi. Establish a New Jersey Caregiver Task Force
- xii. Integrate New Jerseyans with Disabilities Into the Workforce
- xiii. Improve the Workers’ Compensation System

## REPORT

### I. PRIORITY: REFORMING WORKFORCE DEVELOPMENT AND CAREER TRAINING

The committee recommends that the Murphy Administration take administrative action to advance coordination, communication, and data sharing across state and county government, while also increasing accessibility by correctly aligning programs and reducing duplication. We must ensure that the agencies administering programs and services have the appropriate infrastructure and mechanics to be effective. We further recommend empowering residents by making service delivery more culturally and linguistically inclusive.

#### i. Recommendation: Launch the NJ Career Network

The Murphy Administration should launch a career network to provide New Jerseyans with the skills needed to secure family-sustaining jobs. This will ensure that all NJ employers have access to the skilled workers they need to remain competitive in a constantly evolving and global economy. It should establish protocols and policies to ensure transparent, efficient, and effective use of federal and state workforce development and training funding. The state should capitalize on best practices employed in other states and be guided by evidence-based programs, leveraging experiences from the New Start Career Network. The NJ Career Network should include:

- Career management and advice, with access to virtual and in-person coaching provided by a newly created NJ Coaching Corps that could include trained coaches affiliated with the One-Stop Career Centers, libraries, community colleges, nonprofits, employers, labor organizations, and community and faith-based organizations;
- Robust technology tools and user-friendly software programs and mobile apps that are available 24/7 to help job seekers navigate careers, complete online applications, optimize résumés, prepare for interviews, complete training modules (including basic digital and computer literacy), learn about and pursue entrepreneurial and gig opportunities, and practice pre-employments skills tests;
- Training for in-demand industry-recognized credentials and skills, especially to help lower skilled workers prepare for pathways to middle skills jobs, including two-generation strategies that address the economic and educational challenges of children and their parents by combining early childhood education and workforce education and training services to help low-income families, plus expanded access to community colleges with an emphasis on work-based learning models, such as career and technical education (CTE), on-the-job training, apprenticeship, integrated education and training (including options for English language learners/ESL), internships, and other learn-and-earn models; and
- Employer engagement, including efforts to better serve small and medium-sized enterprises (SMEs) and women- and minority-owned business enterprises (WMBEs), target training funds to initiatives that reflect local hiring needs and skills gaps that may be overlooked by some statewide efforts, and reward “upskill/backfill” strategies that advance current workers and create positions for unemployed job seekers.

The NJ Career Network design would be used to strengthen the services currently provided through the NJ workforce development system. The current system suffers from a lack of transparency, integration, and coordination across workforce development programs and resources. In 2011, the Christie administration created sector-based Talent Networks and in 2016, Talent Development Centers (TDCs), which were awarded \$8.4 million in late October 2017.

The mission of these entities has changed multiple times, with no clear evidence of their effectiveness in increasing the skills of New Jerseyans or addressing the needs of employers. The Murphy Administration should conduct a review of all workforce development programs and funding. It should expand those that have evidence of success and a positive return on investment, eliminate those that are not effective, and create new one to fill gaps in needed areas.

The Administration should take administrative actions, and if necessary reallocate and re-prioritize funding and resources to support the public workforce system. The creation of a Governor's Jobs and Economic Opportunity Council with policy leadership from the Governor's Office will provide a basis for revamping the public workforce system and coordinating efforts of the relevant departments and agencies.

In addition, to better inform future policy making and review the impact of programs, support for the NJ Education to Earnings Data System (NJEEDS), a longitudinal data system housing state education, postsecondary education, employment, and workforce data, should be increased.

**ii. Recommendation: Integrate technological resources to improve service delivery**

Timely access to data and integration of IT systems is essential for making informed decisions on key economic and workforce development issues. The Murphy Administration should assess the current IT infrastructure/ecosystem supporting the workforce development system and make the necessary investments to deploy technology in new ways to create a system that has the functionality to connect with each other to better deploy resources to support citizens and businesses.

When a job seeker faces a barrier to employment, such as low literacy, transportation, or child care, it would be beneficial to seamlessly connect them to services such as SNAP, TANF, Medicaid, WIC, rental assistance, child care assistance, and subsidized transportation. This committee urges the Murphy Administration to prioritize the establishment of a new integrated workforce development IT solution that meets all the new federal mandates of WIOA, as well as the goals of increasing staff efficiency and improving customer experience across WIOA programs and Unemployment Insurance (UI) benefits. Modernizing our workforce system would enable seamless referral and enrollment into other public programs that could help jobseekers achieve positive outcomes.

The system should be designed as a Common Intake, Referral, and Reporting System. It should allow the UI and WIOA agency partners to consistently capture and manage intake data, combine that data for reporting, and produce accurate reports that include all data elements required under UI, WIOA, and other federal and state regulations. The system should also allow for the sending of notifications via the internal message system, email, postal mail, text message, or social media. It should operate 24/7, and allow residents to apply online or with staff assistance.

These improvements to how New Jersey's various workforce development and social assistance programs interact will represent costs at the outset, and likely represent only a portion of the work that needs to be done in order to bring New Jersey's government IT infrastructure into the 21<sup>st</sup> century. There will be upfront costs occasioned by this necessary investment, and the state should consider all options at its disposal in finding ways to finance them, including entering into partnerships with the tech sector. In the long run, however, these improvements will generate positive career outcomes that will translate into economic gains for the state and its citizens.

**iii. Recommendation: Transform Unemployment Insurance (UI) into reemployment insurance**



According to the BLS, New Jersey’s rate of long-term unemployment—unemployment lasting six months or longer—stood at 32.4 percent for 2016, well above the national average of 25.9 percent. Long-term unemployment can be devastating to individuals, their families, and their communities, affecting not only their financial well-being but their physical and mental health as well. Employers are often reluctant to hire job seekers with long gaps in their work history, making their return to work especially difficult. This becomes more difficult for long-term unemployed job seekers who are older, low-skilled, minorities, individuals with disabilities, and returning citizens. Research has proven that the best way to help job seekers avoid the trap of long-term unemployment is by preventing it in the first place through early intervention and robust job search assistance.

In addition to developing an integrated IT system, to better serve unemployed workers—and to reduce UI duration and costs to the UI Trust Fund—New Jersey should modernize UI to make it the first step in an active reemployment process. This process would start with an in-person or virtual session with a reemployment coach (*see the NJ Career Network above*) at the time of the job seeker’s first contact with the UI system. Reemployment coaches would be available through a newly created NJ Coaching Corps that includes trained coaches affiliated with the One-Stop Career Centers, public libraries, community colleges, nonprofits, employers, labor organizations, and community and faith-based organizations. Assessments should be used to help identify those individuals who are most likely to need training to return to work as well as those who are most likely to exhaust UI before they have a new job. Each job seeker should develop an individualized reemployment action plan. Bimonthly follow up sessions with a coach that trigger additional active labor market supports over time, combined with access to robust technology tools, will ensure that individuals are making progress in their job search. Professional development and cross-training opportunities for public workforce system staff should be enhanced to ensure they are well prepared to help those need assistance.

The Murphy Administration should explore expanding reemployment assistance to job seekers who are currently not covered by UI benefits, including those who are engaged in self-employment or in gig employment (such as drivers for Uber or Lyft). This could be part of a longer-term effort to introduce portable benefits for these workers.

DLWD should also undertake to raise employer awareness of the state’s work sharing program, which can provide employers with an alternative to layoffs by temporarily reducing employees’ time on the job and providing them partial UI benefits to offset lost wages. LWD should also promote Self-Employment Assistance for UI recipients who are interested in entrepreneurship.

The administration should also ensure that funds from the Workforce Development Partnership Program (WDPP) that are intended to assist long-term, chronically unemployed workers be spent on that purpose rather than for other activities that have little to do with legislative intent.

UI modernization can be accomplished primarily through administrative action and existing agency authority. Funding would be available through the reallocation of existing resources.

**iv. Recommendation: Expand work-based learning including apprenticeship and pre-apprenticeship programs**

Registered apprenticeship programs today offer access to some 1,000 different career areas. For workers, apprenticeship is an “earn while you learn” and for employers, apprenticeship is a tool to help create predictability in a volatile labor market. Given the growing number of middle skills

jobs in New Jersey that require some education and training beyond high school, New Jersey should expand support for registered apprenticeships.

New Jersey should expand the range of recognized, apprenticeable occupations, including white collar occupations such as insurance, pharmacy, IT, human resources, health care, STEM occupations, and others. To do this, New Jersey will need to develop programs to incentivize employers to invest in new apprenticeships, such as through tax incentives or grants. The state should also provide technical assistance to help new employers understand the process of getting apprenticeships registered, and to help groups of smaller employers band together to support apprenticeship programs they might not pursue on their own.

Additionally, the state should expand efforts to promote career and technical education (CTE) and apprenticeships as viable postsecondary pathways to parents, middle and high school students, and guidance counselors. The NJ Career Assistance Navigator (NJCAN), a free online resource providing career and college guidance, should be reviewed to ensure it promotes work-based learning opportunities alongside college degrees.

Expanding systemic opportunities for apprentices to receive college credit and work toward degrees will also increase its attractiveness. This could be done by reconfiguring NJ PLACE (Pathways Leading Apprentices to a College Education), originally designed to help individuals participating in apprenticeship programs primarily in the building trades receive college credits that could be applied to associate degrees. A review of models to expand opportunities for apprenticeships to result in college credit should be undertaken.

To increase the pipeline of would-be apprentices, New Jersey should expand pre-apprenticeship opportunities for those who may need additional basic skills before they can become successful apprentices. Emphasis should further be placed on making opportunities available to women and minorities who may have been underrepresented in traditional apprenticeships, including by creating incentives for recruitment from those demographic categories. New Jersey should also look for opportunities to develop apprenticeships targeted to mid-career and older long-term unemployed workers, including helping them receive credit for prior learning and experience.

The incoming Administration can begin to expand apprenticeship opportunities through executive order and administrative actions. Funding can come from redirecting Workforce Development Partnership Program (WDPP) funds, developing strategies to integrate apprenticeships more fully into the state's workforce development programs, and making state tuition assistance available.

**v. Recommendation: Remove barriers to entry for English learners and non-citizens**

This committee recommends that the Murphy Administration identify and remove unnecessary barriers to entry for workers for whom English is not their native language. For example, integrated ESL materials and workforce training should be developed and established as a norm in all program development and design. Furthermore, greater efforts should be made to translate applications and materials into foreign languages, and applicants should not have to specify citizenship status nor country of origin on official forms unless strictly required for programmatic purposes.

**II. PRIORITY: WORKER PROTECTION AND EMPOWERMENT**

This committee recommends that the Murphy Administration take administrative actions to provide hands-on assistance to nonprofits, promote provider agency sustainability under the fee-for-service model, and increase economic opportunities for direct support professionals.

**i. Recommendation: Raise the minimum wage to \$15/hour**

An increase in the minimum wage to \$15 per hour will restore the value of the minimum wage to its past levels, as inflation has eroded its value and help to keep pace with increasing costs of living in New Jersey.

Raising the minimum wage in New Jersey would mean that 1 in 4 workers (about 975,000 workers) would receive a pay increase. Over a quarter of those individuals are parents. Twenty-one percent of New Jersey children—more than 400,000 kids—have at least one parent who would benefit from increasing the minimum wage to \$15 an hour. New Jersey’s minimum wage-earning population is tremendously varied: 61 percent work full time; 53 percent are women; 47 percent attended or graduated from college; just 17 percent have less than a high school diploma. 49 percent are white; 29 percent are Latino; 14 percent are black. 892,000 are at least 20 years old; only 84,000 of these workers are teenagers. Many of our young minimum wage earners are working their way through school.

Raising the minimum wage creates the potential for a massive economic stimulus when these workers purchase goods, retain their homes, and care for their families. Given that New Jersey’s low-wage workforce is older, more diverse, and more educated than ever before, it is critical that any increase in the minimum wage apply to all New Jersey workers.

The minimum wage was also discussed in the Agriculture Transition Advisory Committee. Many members in that committee expressed their support for training and youth wages, specifically for those working in the agricultural sector.

**ii. Recommendation: Ameliorate gender pay equity disparities**

This committee recommends that the Murphy Administration take swift executive action to assess wage disparities in the state workforce and take steps to remedy gender-based pay equity in the state workforce and in public contracting. The Administration should also recommend legislative action to remedy past and ongoing pay disparities in the private sector by expanding legal remedies for such relief.

As of April 2017, the median annual pay for a woman holding a full-time, year-round job in New Jersey was \$50,373 while median annual pay for a man holding the same job was \$61,462. This means that women in New Jersey are paid 82 cents for every dollar that men are paid. This disparity can be even greater for women of color; black women are paid 58 cents and Latinas are paid 43 cents compared to the dollar white men are paid. New Jersey women who are employed full time lose a combined total of more than \$32.5 billion every year due to the wage gap. Additionally, more than 417,000 New Jersey households are headed by women; about 23% of those families have incomes that fall below the poverty level.

***Administrative Action***

We recommend that Governor Murphy order each State department and independent authority to undertake an internal gender pay equity review to assess the extent of the disparities in compensation between similarly-situated male and female employees.

He should create a Pay Equity Task Force to examine the results of all the audits conducted, and within a period of six months, issue recommendations on how the State can remedy any gender wage gap found in its workforce.

By executive order, the Governor-elect should require that all State procurement include a requirement that contractors, subcontractors, and grantees receiving State funds certify that their employment practices do not result in gender-based wage disparities. These entities should be required to report earnings data for employees by sex, race, ethnicity and job category.

The Pay Equity Task Force would be further tasked with providing recommendations on how best to assess and monitor the pay equity practices of State contractors and grantees on an ongoing basis.

These issues can also be addressed through education and other policy initiatives discussed below. This includes educating girls and young women about employment opportunities in high-paying fields, expanding access to child-care and pre-K, and training DWLD employees to respond to wage-discrimination claims.

### ***Legislative Action***

This administration should propose legislation to strengthen protections against employment discrimination and promote equal pay for women by updating the NJ Law Against Discrimination (LAD). It should be unlawful for an employer to discriminate between employees on the basis of sex by paying a lower rate of compensation, including benefits, to employees of one sex for substantially similar work—when viewed as a composite of skill, effort, and responsibility. This legislation must further provide that an unlawful practice occurs *each* occasion that compensation is paid in furtherance of that discriminatory practice. In effect, each instance of a violation under the statute would therefore restart the applicable statute of limitations. Liability would accrue and a claimant may obtain relief for back pay for the entire period of time in which the violation has been continuous, if violations continue to occur within the statute of limitations.

Support legislation requiring DLWD to survey pay data already available and require employers to submit pay data identified by the race, sex, and national origin of employees. These data will enhance DLWD's ability to detect violations of law and improve its enforcement of the laws against pay discrimination.

Support legislation banning or limiting the practice of requiring information about a prospective employee's salary history, and banning retaliating against employees that seek to find out whether they have been the subject of wage discrimination.

### **iii. Recommendation: Improve enforcement of employment and wage and hour laws**

This committee has identified the enhancement of DLWD's enforcement of numerous employment and wage and hour laws and regulations as an area in need of immediate administrative action by the Murphy administration. The Department of Labor and Workforce

Development is tasked with enforcing wage and hour statutes and regulations (policing wage theft, ensuring that employers pay employees the minimum wage, overtime rules), prevailing wage rates, and matters such as the classification of workers as employees or contractors. All of these affect the health of the state's workforce, as the extent to which they are enforced determines the employment climate in New Jersey, particularly for lower-wage and lower-skill workers. Wage and hour enforcement is vital to ensuring that our most economically vulnerable workers are being treated fairly by their employers; workers being paid fairly for their labor also helps support our local economies.

The Christie Administration has de-emphasized this type of enforcement. State budget documents reveal that the Division of Labor Standards and Safety Enforcement, tasked with enforcement of wage and hour laws and prevailing wage laws, has seen dramatic cuts, with staffing levels falling from 222 in 2005 to 169 in 2017. According to data provided to the Legislature, between 2005 and 2016, the number of field representatives for prevailing wage enforcement has decreased from 20 to 14; the number of inspections has decreased from 1,575 to 472; the number of cases has decreased from 1,383 to 387; and the amount of penalties has decreased from a high of \$1.199 million in 2006 to \$389,945 in 2016. These reduced enforcement numbers do not simply illustrate the number of cases of underpayment of wages that is going unregistered; they also represent uncollected financial resources in the form of fines and penalties that could go toward supporting DLWD's enforcement mission.

This committee therefore recommends that the Murphy Administration take the following actions regarding enforcement resources at DLWD:

*Administrative Action*

Increase staffing levels at the Division of Labor Standards and Safety Enforcement in order to increase the number of staff and field representatives investigating wage and hour and prevailing wage violations. This would result in a greater number of complaints received, enforcement penalties, enforcement fees, number of employees helped, and amount of back wages collected. Any staffing increase should be accompanied by a review of divisional training procedures and the development of effective software tools to ensure that current and future employees are fully capable of carrying out their enforcement duties.

Departmental enforcement policies should further be updated to make it DLWD standard practice to perform broad cross-agency investigations of an employer's practices when individual claims of violations indicate that there may be broader abuses.

The Christie Administration has moved away from the practice of having Deputy Attorneys General (DAGs) detailed to DLWD full-time for enforcement purposes, opting instead to rotate in DAGs on an as-needed basis. The Murphy Administration should bolster enforcement efforts by assigning full-time DAGs at DLWD for enforcement.

Substantial resources should be devoted to promoting education about wage and hour laws and workplace standards. The state should partner with non-profits and community organizations to educate in particular those segments of the workforce most likely to be unaware of their rights or to be afraid to publicly assert them.

Finally, under the current Administration, DLWD has relied on intermittent workers in undertaking its mission. The Murphy Administration should ensure that this work is done through a merit and fitness system by full-time state employees.

### ***Legislative Action***

Enhanced enforcement should be accompanied by changes in policy that act as an effective deterrent against worker abuse. This committee recommends that the Murphy Administration pursue legislative changes enhancing criminal sanctions on employers that commit wage theft or that systematically fail to pay the minimum wage or the prevailing wage. This legislation should allow affected workers to obtain back wages owed to them, as well as liquidated damages. This legislation should include provisions ensuring that affected workers are protected from retaliation for pursuing the remedies available to them. Finally, the legislation should specify that DLWD should be able to recommend and apply additional sanctions, such as license suspensions and stop-work orders, to employers that violate these laws. The law should be updated to ensure that malfeasors cannot avoid sanctions through simple corporate restructuring by maintaining a database of bad corporate actors and their individual officers.

Any staffing increase in these areas will likely be revenue neutral or fiscally net positive since increased enforcement should result in collection of additional revenue from fines and penalties.

#### **iv. Recommendation: Curb employee misclassification abuse**

The practice of misclassifying workers as independent contractors rather than as workers harms both workers and taxpayers. An “employee” receives unemployment compensation, family leave, paid vacations, health insurance, disability, and other benefits that increase operating expenditures, but “independent contractors” do not. Businesses can avoid significant state and federal obligations by retaining and classifying independent contractors as such. Moreover, they can write off funds paid to independent contractors as a business expense, rather than include them as taxable wages. When employee worker misclassification occurs, workers are cheated out of the wages and benefits that they are rightfully owed, and the government misses out on its fair share of employee-related income, such as unemployment, disability, and Social Security taxes, and workers’ compensation premiums. According to the New Jersey Business and Industry Association, an estimated \$535 million in taxes go unreported annually due to misclassification. DLWD randomly audits roughly 2% of the state’s 230,000 employers to ensure that unemployment and disability insurance payments are properly remitted for workers.

Recent New Jersey Supreme Court precedent and guidance out of the federal Department of Labor have clarified the factors to be examined in determining a worker’s status. In light of this shifting landscape, this committee recommends that the Murphy Administration empanel a new task force to conduct a broad overview of the state’s current misclassification statutes, regulations, and enforcement, and to provide recommendations on how best to update the state’s regulatory framework to reflect new realities and changes in federal regulations.

#### **v. Recommendation: Expand paid family leave**

This committee recommends that the Murphy Administration enact legislation to make New Jersey’s paid family leave program truly accessible to working families by increasing the program’s income replacement, expanding the number of family members that program participants could care for under it, allowing for more flexibility in taking the leave time, and protecting program participants’ jobs. Access to paid family leave protects workers and their families, helps businesses, boosts the economy, and is tied to positive long-term economic outcomes for adults and positive long-term health outcomes for families. NJ’s Family Leave

Insurance (FLI) program provides workers with a percentage of their full pay for up to six weeks to care for a sick relative or bond with a new baby or adopted child.

However, participation in FLI is out of reach for many New Jerseyans due to low wage replacement rates. Under the program, two-thirds of a worker's weekly salary is replaced, up to the current cap of \$633 per week. This maximum reimbursement is equivalent to a salary of \$32,000 a year, which is about the same as New Jersey's true poverty standard (200 percent of the federal poverty level) for a two person family (\$32,040). For many NJ families, taking that kind of financial hit is simply not possible. It is particularly unfair that lower-income families cannot take advantage of the program, since many of them pay into it: the program is fully funded by employees through a modest payroll tax deduction (currently capped at an annual, per-worker max of \$33.50), which is adjusted annually based on projected program expenditures.

From 2009 to 2015, more than 200,000 FLI claims were approved, paying out over \$507 million in benefits. Eighty-one percent of the claims paid out have been for bonding with a new child and 18% have been used to care for an ill family member. New Jersey women have used paid family leave far more than men, making up 86% of all eligible claims. On average, only about 12% of eligible new parents (about 31,000 New Jerseyans) have used paid family leave each year. The usage rate for new parents has been mostly flat, rising to just 13% in 2014 from 11% in 2010, and is lower than other states with programs, such as California (17%).

There is also a skewed gender participation rate for the program. Few men take paid family leave in New Jersey, particularly for bonding with a child. Men account for just 12% of paid out claims to care for a new child, likely due to the low wage replacement rate. With NJ men earning \$12,000 a year more on average than women, many working men stand to lose larger chunks of their take-home pay by taking leave. Men in California and Rhode Island use paid family leave at significantly higher rates than men in New Jersey, making up over 30 percent of all claims in those states. Well-compensated, gender-neutral, and readily accessible paid family leave can have an equalizing effect between men and women. Since men and women are equally eligible to apply for FLI, it can help reduce disparities between salaries, workplace promotions and childcare duties.

Therefore, this committee recommends that the Murphy Administration prioritize enacting legislation modernizing the FLI program and its IT infrastructure to make the program more affordable to more families by providing a higher rate of wage replacement, lengthening leave periods from 6 to 12 weeks, and expanding the availability of intermittent leave, thereby adding flexibility that better reflects the changing nature of the modern workforce and family obligations. The program's parameters should be expanded to capture a more realistic conception of who qualifies as family, including providing mechanisms to allow for the care of "chosen family." Family leave legislation should also include expanded job protection and anti-retaliation provisions for program participants. To make the program work for broader swaths of the workforce, the legislation should allow self-employed individuals to buy into the program through quarterly contributions. The legislation should also address administrative changes that simplify the program's application process and increase the speed at which applications are processed and benefits disbursed, including the processing of applications prior to the start of scheduled leave. Finally, substantial resources should be devoted to publicize the program, as many New Jerseyans are unaware of the program's existence and benefits.

The benefits and costs of the FLI program are funded entirely through an additional assessment on workers' wages subject to TDI taxes, which is adjusted automatically based on a forecast of what program expenditures will be. In 2016, the gross FLI benefits paid to claimants totaled

\$88.7 million. The actual maximum FLI tax paid by an employee in 2017 was \$34. Any increased FLI benefit payments, along with the associated administrative costs, resulting from the bill will be funded through these employee taxes and not through any assessment on employers. This committee recommends that the program's funding formula be made more progressive to accommodate an expansion without unduly burdening lower income workers.

**vi. Recommendation: Mitigate the harm from Trump federal rule changes**

This committee recommends that the Murphy Administration remain vigilant to the regulatory actions taking place at the federal level and to take action in New Jersey to mitigate any negative impact they would have. While the Trump Administration has not had tremendous success in using the legislative process to pursue its regressive policies, it has been much more adept at rolling back worker protections achieved through the regulatory process.

For example, under the Obama Administration, the Department of Labor adopted rules that would have expanded overtime wage protections to millions of Americans by setting a realistic wage threshold under which employers could not claim an employee to hold a supervisory position that would exempt them from overtime requirement. It would have extended overtime protections to over 410,000 NJ workers, resulting in higher wages for the employees and increased tax revenues for the state. This committee recommends that the Murphy Administration adopt regulations setting the standard salary level at the 40th percentile of earnings of full-time salaried workers in the Northeast.

The Obama-era DOL also adopted a rule that limited the practice of tip pooling, whereby the tips paid to employees could be collected by the employer and redistributed among both the customer-facing and non-customer-facing employees. Trump's DOL is seeking to replace it with a rule that would not just allow employers to pool tips, but would not even require the pooled tips to be paid out to employees at all. This committee recommends that, at a minimum, the Murphy Administration adopt rules that specify that tips are the property of the employee, not the employer, and that guarantee that tips collected be paid out to employees instead of being kept by an employer. The Administration should also consider doing away with the concept of a separate tipped worker minimum wage.

**vii. Recommendation: Institute statewide mandatory earned sick leave**

Over one million New Jersey workers do not have earned sick time, an essential benefit that would strengthen the economic security of our workers, improve productivity, and protect public health. Economic security for our workforce means ensuring that workers do not have to worry about losing their job if they cannot report to work due to an illness. In New Jersey, Latinos, lower-education, and lower-earning workers are particularly likely to lack access to paid sick days. Food workers are also unlikely to have paid sick days, constituting a public health risk.

In the absence of state-level action in this area, thirteen of New Jersey's most populous municipalities have enacted municipal sick leave ordinances. These ordinances require private employers to provide different accruable amounts of paid sick leave to all employees who work over 80 hours a year.

This committee recommends that the Murphy Administration support legislation requiring that employers provide annual paid sick leave, with potential adjustments for smaller firms. Sick leave can be used for an employee's own illness or condition or to care for a family member. The



statewide legislation should serve as a floor, establishing a minimum level of accruable sick leave benefits.

**viii. Recommendation: Prohibit unfair scheduling practices**

Significant segments of our state’s workforce work at jobs with varying shifts. Many New Jerseyans work multiple jobs, juggling shifts in order to make ends meet. When an employer creates irregular work schedules—assigning shifts without sufficient lead time for workers to arrange their schedules, cancelling shifts at the last minute, or scheduling consecutive shifts without enough time in between them—workers, particularly those with families, can struggle to maintain stable child care, pursue their education, or get vital medical care. This committee recommends that the Murphy administration pursue legislation that sets minimum standards for fair scheduling practices for our state workforce.

**ix. Recommendation: Ensure that workers benefit from State contracting and incentives**

This committee recommends that the Murphy Administration ensure that when taxpayer dollars are expended to further state interests or to incentivize private sector economic development efforts, every effort is made to ensure that the economic benefits are shared by the workers employed as a result of those projects. We recommend that the state include Responsible Contractor language in state procurement, and that the state revise its business incentive programs to require that construction and building services workers working on or employed in facilities funded by them are paid the prevailing wage rate.

The incoming Administration should ensure that it only contracts with contractors with a record of complying with federal, state, and local requirements for the determination of workplace wages, hours and conditions, including prevailing wages, safety, and workers’ compensation. This would ensure that state dollars do not subsidize employers known to abuse their workers.

Wage requirements also need to be strengthened for recipients of state grants. The New Jersey Prevailing Wage Act establishes a prevailing wage level for workers engaged in public works in order to safeguard the workers’ efficiency and general well-being, and to protect them as well as their employers from the effects of serious and unfair competition resulting from wage levels that are detrimental to the well-being of all concerned. In 2006, New Jersey began requiring that building services workers employed in properties owned or leased by the state be paid the prevailing wage. Some of the state’s business incentive programs require that construction work on projects they fund be performed by workers paid at the prevailing wage rate, but this requirement is not uniform across all the incentive programs.

In recent years, New Jersey has dramatically expanded its use of economic development grants and tax incentives to spur economic development. An integral part of any economic development program should be that the jobs that it creates pay fair and competitive wages, making it a logical step to recommend that any revisions to the state’s economic incentive programs feature a requirement that construction and building services workers working on or employed at facilities funded by the programs be paid at prevailing wage rates set through collective bargaining.

**x. Recommendation: Adapt to the “gig economy”**

This committee recognizes that our economy and our workforce are rapidly evolving in the face of technological innovations. These changes have increasingly led to workers relying more and more on intermittent and temporary employment, rather than in a traditional employer/employee

relationship, as a means of earning a living. This has created a category of independent workers, or “online gig workers,” that provide services on behalf of a business, or “intermediary,” to customers to whom they are matched through online technology and apps. In some ways independent workers resemble traditional employees, and in other ways they are similar to independent contractors. It is worth considering what measures, such as the creation of portable benefits packages, access to tax withholding, or obtaining workers’ compensation insurance, can be undertaken to help provide economic stability to this emerging segment of the workforce.

This committee recommends that the Murphy Administration empanel a task force to examine the ongoing changes to the workforce that are the result of technologies that connect consumers to services through digital applications and result in short-term work for providers, and recommend statutory, administrative, and regulatory changes that the state should adopt to better serve this growing segment of the workforce.

**xi. Recommendation: Establish a New Jersey Caregiver Task Force**

An estimated 1.75 million New Jerseyans provide varying degrees of unreimbursed care to persons who are elderly or disabled and limited in their daily activities. For more detail on empaneling a caregiver task force to assess how to improve and expand caregiver support service programs and systems, see the Human and Children Services transition report.

**xii. Recommendation: Integrate New Jerseyans with disabilities into the workforce**

Federal and state law allows businesses to obtain waivers to employ certain workers with disabilities a pay rates below the minimum wage for the purpose of helping to integrate those individuals into the workforce. In order to comply with the Americans with Disabilities Act (ADA), New Jersey law requires that community rehabilitation programs (CRPs) place a percentage of their clients in competitive integrated employment each year. A 2017 report issued by the State Auditor found that as of last year, 40 percent of the individuals enrolled in CRPs had been there for more than ten years, and that the Division of Vocational Rehabilitation Services in DLWD, which oversees them, lacks a meaningful or financial incentive to encourage the movement of clients from a CRP to a competitive integrated employment setting. The division’s current contracts with CRPs require only 10% of clients served to move into competitive integrated employment every year. Low success levels like those in the State Auditor’s report have led the Department of Justice to bring actions against Oregon and Rhode Island for violating the ADA. This committee recommends that the Murphy Administration immediately address the procurement process for CRP contracts in order to ensure that New Jersey’s rate of placing individuals into competitive integrated employment does not run afoul of federal requirements and also adequately serves the needs of the segment of our disabled workforce that is able to work.

**xiii. Recommendation: Improve the Workers’ Compensation system**

New Jersey’s Workers’ Compensation system is an integral part of ensuring that our workforce is adequately protected in cases of temporary and long-term work-related injuries. This committee recommends that the new Administration place a focus on making the system work more efficiently by appointing an appropriate number of highly-qualified Workers’ Compensation judges who can ensure workers receive fair and timely benefits. Rigorous criteria requiring familiarity with the system and trial experience should be adopted. This Administration should also explore reforms to the system aimed at making cases move more efficiently, including the uniform application across courts of scheduling rules, and striving to reduce postponements and

delays. In addition, New Jersey should explore “stay at work/return to work” strategies that have been shown to help increase the odds of injured employees returning to employment.

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The Governor, Lieutenant Governor, and the entire senior transition team staff greatly appreciate the immense amount of work, participation and expertise that all our co-chairs, committee members and deputy directors who staffed each committee provided since the transition began in November. This hard work and positive energy about how New Jersey can once again become a national leader has resulted in a robust set of recommended priorities and actions for the incoming administration to consider. As with any collaborative endeavor, many recommendations and opinions were expressed and debated during the committee meetings and the drafting of the reports by co-chairs, committee members, and Deputy Directors. The final reports may contain recommendations that do not reflect the concurrence of all co-chairs or committee members, nor of the organizations they represent. These reports are purely advisory and do not reflect the positions of the Governor-Elect or any other elected official.



Report of the  
Law and Justice  
Transition Advisory Committee

Submitted to Governor-elect Phil Murphy and Lieutenant  
Governor-elect Sheila Oliver

January 1, 2018

## EXECUTIVE SUMMARY

The Law and Justice Policy Group recommends that the Governor-elect consider the following recommendations to accomplish the following eight key priorities:

### **I. Priority: Protect public safety while enhancing fairness in the criminal justice system**

- i. Appoint members to the Criminal Sentencing and Disposition Commission (CSDC) and direct them to comprehensively review criminal sentencing and related issues
- ii. Establish a commission to study and make recommendations regarding how to legalize, tax, and regulate marijuana usage for adults
- iii. Foster improved relationships between police and the communities they serve
- iv. Create an inter-agency Reentry Council to reduce recidivism and give a meaningful second chance to those who are released from prison
- v. Expand the use of drug courts to address the opioid epidemic
- vi. Improve reporting of and response to hate crimes
- vii. Further transform the juvenile justice system

### **II. Priority: Protect New Jersey immigrants**

- i. Make state driver's licenses available to residents who meet age, residency and public safety requirements, regardless of their immigration status
- ii. Consider revising AG Directive 2007-3 to enhance public safety and issue an executive order to protect the privacy of immigrants
- iii. Create an Office of Immigrant Protection to provide free legal representation to indigent immigrants detained and facing deportation

### **III. Priority: Expand access to democracy in New Jersey**

- i. Endorse legislation to implement Automatic Voter Registration (AVR) at Motor Vehicle Commission (MVC) offices
- ii. Endorse legislation to restore voting rights to people on probation, parole, or other community supervision
- iii. Endorse legislation to create online voter registration (OVR)

### **IV. Priority: Restore the relationship of respect between the Governor and an independent judiciary**

- i. Consider renominating for tenure judges and justices appointed by predecessor governors as long as they are objectively deemed qualified
- ii. Assess reaffirming the judicial compact procedures for the relationship between the Governor and the New Jersey State Bar Association (commonly known as the "Hughes Compact")
- iii. Solicit judicial candidates whose background and experience reflect the diversity of the communities that they will serve

### **V. Priority: Endorse legislation to prevent gun violence**

- i. Endorse legislation to ban the possession of bump stocks
- ii. Endorse legislation to create gun violence restraining orders

### **VI. Priority: Protect the rights of women**

- i. Promote equal pay for women
- ii. Promote policies to address sexual harassment

**VII. Priority: Protect the rights of LGBTQ New Jerseyans**

- i. Endorse legislation to permit transgender individuals to amend their birth certificates without undergoing sex reassignment surgery
- ii. Seek to participate as an amicus in lawsuits against the transgender military ban and other actions that seek to harm the LGBTQ community

**VIII. Priority: Participate in litigation to protect New Jersey's residents from harmful national policies.**

## REPORT

### I. PRIORITY: PROTECT PUBLIC SAFETY WHILE ENHANCING FAIRNESS IN THE CRIMINAL JUSTICE SYSTEM

New Jersey leads the nation in prison population reduction. Between 1999 and 2017, New Jersey lowered its rate of incarceration by more than one-third through the administration of parole, sentencing flexibility, drug courts for low-level drug offenders (between 2013 and 2017, there was a 38.2% reduction in the number of prisoners incarcerated on drug charges), and, most recently, bail reform. Yet the number of people incarcerated in New Jersey is still four times higher than the prison population in 1978. The New Jersey Department of Corrections spent more than \$1.07 billion in 2015, up from \$241.4 million in 1985. The state has the most significant racial disparity in incarceration the country. Black adults are more than 12 times as likely to be incarcerated as white adults, and Black children are 30.6 times more likely to be incarcerated than white children. The Governor-elect has vowed to legalize, regulate and tax marijuana, which will help decrease mass incarceration and racial disparities in incarceration. This is just one of many changes that must be made in order to ensure that our criminal justice system is fair and effective for all New Jerseyans.

#### i. **Recommendation: Appoint members to the Criminal Sentencing and Disposition Commission (CSDC) and direct them to comprehensively review criminal sentencing and related issues**

In 2004, the legislature created the Commission to Review Criminal Sentencing, which operated until 2009, when it was replaced by statute by the CSDC. *See* N.J.S.A. 2C:48A-1. The purpose of the CSDC was to thoroughly review criminal sentencing and the issue of racial disparities in criminal justice. The commission's primary goal was to create "a rational, just and proportionate sentencing scheme that achieves to the greatest extent possible public safety, offender accountability, crime reduction and prevention, and offender rehabilitation while promoting the efficient use of the State's resources."

No members have ever been appointed, and the CSDC has never met. The Governor-elect should staff the CSDC and direct its members to review and make recommendations on:

- The continued viability of mandatory minimum sentences. 74% of New Jersey's 20,489 prisoners are currently serving mandatory minimum sentences;
- Base sentences for which early release is prohibited;
- The classification of crimes as first, second, third or fourth degree, including those that trigger collateral consequences (i.e., deportation); and
- Probation and parole.

Cost: The CSDC has no cost. Any resulting decrease in the rate of incarceration would reduce the State's expenditures accordingly.

#### ii. **Recommendation: Establish a commission to study and make recommendations regarding how to legalize, tax, and regulate marijuana usage for adults**

According to the New Jersey Attorney General's office, there were 24,689 marijuana possession arrests in 2014. Despite similar usage rates, Blacks are almost three times more likely than whites to be arrested for marijuana possession. Such arrests have contributed to the problem of mass incarceration.



Voters in eight States and Washington, D.C. have approved measures to legalize marijuana for individuals over 21. The Governor-elect has pledged to do the same. Recognizing that there are a variety of issues that must be thoughtfully addressed, we recommend that the Governor-elect establish a commission to study and make recommendations regarding how best to legalize, tax and regulate marijuana. Government representatives should include the Attorney General and the Commissioners of Agriculture, Community Affairs, Corrections, Health, Human Services, and Treasury. The commission should consider and make recommendations regarding marijuana production, testing, distribution and sales (including labeling, marketing, advertising, and packaging), home cultivation, taxation, and expungement of criminal records.

Cost: The commission would be cost neutral.

**iii. Recommendation: Foster improved relationships between police and the communities they serve**

Public safety requires strong relationships of mutual trust between police and the communities they serve. Policing is effective only when community members work with the police to address the problems of crime in their neighborhoods. Police must see themselves as a part of the community they serve, and local government officials and members of the community must recognize their own responsibility to collaborate with police to address crime and its underlying causes.

Across New Jersey, many law enforcement departments and communities have successfully fostered those relationships. The Department of Law and Public Safety has recently instituted a community policing award program to encourage community policing efforts and share best practices. But much more remains to be done, particularly because the U.S. Department of Justice under Attorney General Sessions is walking away from its responsibility in this area.

Accordingly, the new state Attorney General should create an Office of Community Policing or assign a senior member of his staff to:

- Evaluate ways to promote the diversity of law enforcement so that the staffs of police agencies reflect the composition of the communities they protect;
- Assess existing training rules and requirements (including Attorney General Directive 2016-5) and make recommendations to improve and enhance training statewide, including on implicit bias, cultural awareness, mental health, and individuals with autism and disabilities;
- Review existing policies on matters such as body cameras and use of force;
- Examine how actions of police officers are reviewed and evaluate whether there should be statewide consistency regarding fairness and transparency;
- Work with local police departments and other government agencies to recognize that some behavioral problems, such as disorderly conduct and loitering, can better be handled through social services rather than through the criminal justice system;
- Encourage all police departments to embrace the principles of community policing, and serve as a resource for those departments to share best practices.

Cost: The cost of the review will be minimal, but there will be costs associated with any new programs or training that are created and funded by the State.

**iv. Recommendation: Create an inter-agency Reentry Council to reduce recidivism and give a meaningful second chance to those who are released from prison**

Each year, more than 10,000 people are released from New Jersey's prisons. Nearly 70 percent of those released are rearrested, many within a year, and roughly 40 percent go back to prison. This pattern has terrible consequences for people released from prison and their families. It also has serious implications for public safety and is extremely expensive. The recidivism rate can be reduced dramatically if the challenges formerly incarcerated people face upon reentry into society are addressed. These challenges, which include education and vocational training, employment, transitional housing, healthcare, drug and addiction treatment, and professional and motor vehicle licensing, should be addressed both during and after incarceration.

Currently, many such services are provided during incarceration by the Department of Corrections, and afterwards by various state, county, and local agencies, as well as by non-governmental organizations. The prior Administration made a variety of efforts to improve the reentry process, most recently signing legislation to make it significantly easier for those who have been rehabilitated to expunge their criminal records.

But there is much work to be done. The Governor-elect should therefore, by Executive Order, create a statewide Reentry Council to include, among others, the Attorney General and Commissioners of Corrections, Health, Community Affairs, Children and Families, Human Services, and Labor and Workforce Development. As a report by the National Governor's Association made clear, "Given the cross cutting nature of prisoner reentry, some form of interagency partnership, possibly even a formal governance structure, is necessary to develop and implement improvement strategies." President Obama recognized the same imperative at the federal level when he created a structure of twenty federal agencies.

The Reentry Council should be empowered to take immediate action to remove barriers to successful reentry and ensure that inmates have every opportunity for successful reintegration. Areas for consideration include the provision of services and the collateral consequences of conviction, including driver's license suspensions, employment restrictions, bars to certain professional licenses, and access to government assistance, including housing.

Cost: There would be no cost to the Reentry Council, but there could be costs associated with any new programs created or funded by the State.

**v. Recommendation: Continue fighting the opioid epidemic**

The opioid epidemic continues to plague New Jersey. In 2016 alone, there were 1,901 deaths linked to opioid overdoses in New Jersey. Law enforcement has made efforts in New Jersey at the federal and state level through aggressive prosecutions and significant civil enforcement actions. But this problem cannot be solved by law enforcement alone, as recognized by the State's interagency Opioid Working Group, and multi-agency Task Force on Drug Abuse Control. We recommend that the Government-Elect fully implement the recommendations of those groups.

In addition, the Governor-Elect and the Attorney General should work with the judiciary to expand the use of drug courts for non-violent offenders. Drug courts are a highly specialized team process within the existing Superior Court structure that addresses nonviolent drug-related cases, building a close collaborative relationship among criminal justice and drug treatment professionals.

Cost: As an alternative to incarceration, drug courts save the State money. They also may lead to additional recoveries of criminal fines and fees.

**vi. Recommendation: Improve reporting of and response to hate crimes**

FBI statistics show a dramatic spike in hate crimes in the last quarter of 2016 compared to the same period during the prior year. In particular, crimes directed against Muslims and members of the LGBTQ community have increased sharply, with a 43% jump in anti-trans crimes. Aside from the harm to the victim, a hate crime often makes the victim's community feel vulnerable, fearful, isolated, and unprotected.

While New Jersey has enacted strong laws providing for civil and criminal penalties in response to bias-motivated violence, as well as data collection requirements, the State can do more. There is a standard form for police agencies to report hate crimes to the FBI. But far too many police departments in New Jersey either do not report hate crimes data at all or have incorrectly reported that no hate crimes have occurred in their jurisdictions. Accordingly, the Attorney General should direct each County Prosecutor to require all police departments in their respective counties to fully report all hate crimes data. The Attorney General should also evaluate whether there are obstacles to reporting and whether improved training is required.

Cost: Increased training for police, if required, would incur minimal expense.

**vii. Recommendation: Further transform the juvenile justice system.**

New Jersey has the worst Black/white youth incarceration disparity in the nation. In New Jersey, a Black child is over 30 times more likely to be detained or committed to a youth facility than a white child, even though Black and white children commit most offenses at similar rates. New Jersey's youth incarceration system is also extremely expensive: over \$250,000 is spent each year to incarcerate each child in New Jersey's three secure youth facilities. And of the 450 children released from youth facilities in 2013, almost one-third were recommitted within three years.

Recently, New Jersey has become a model for statewide implementation of the Juvenile Detention Alternatives Initiative, which resulted in drastic reductions in populations at juvenile correctional facilities throughout the State. The State has advanced a plan to close the New Jersey Training School, the State's largest youth prison for boys, and Hayes, the State's secure facility for girls, and replace them with three smaller rehabilitation centers that are close to the communities from which the incarcerated young people come. There now needs to be a detailed plan for what those three centers will look like and how they will operate based on national best practices.

The Governor-elect should therefore appoint a commission to make recommendations on how to close the existing prisons and the structure and operations of the replacement facilities. The commission should meet for six months to create an action plan for transforming New Jersey's youth justice system through child-centered, rehabilitative, and treatment-focused facilities, effective community-based programming, successful alternatives to incarceration, and other rehabilitative measures.

Cost: The commission would have no cost. Replacing New Jersey's secure facilities with three smaller rehabilitative facilities would save an estimated \$20 million annually.

**II. PRIORITY: PROTECT NEW JERSEY IMMIGRANTS**

Under the Trump Administration, Immigration and Customs Enforcement (ICE) arrests during 2017 increased by 43%. In the first week of December alone, ICE arrested 101 immigrants in New Jersey. In

New Jersey, the third most immigrant-populous State, immigrants have been subject to increased detention and deportation and fear attending school and court due to expanded ICE presence. Earlier this year, in a letter to the federal Department of Homeland Security, New Jersey Supreme Court Chief Justice Stuart Rabner urged ICE to stop arresting people making routine appearances in state courts, and warned that the practice could undermine New Jersey's justice system.

The Trump Administration has launched other unprecedented attacks on immigrants and refugees, including: (1) issuing an executive order banning refugees and travelers from Iran, Libya, Yemen, Somalia, Chad, Syria, North Korea and Venezuela; (2) rescinding the Deferred Action for Childhood Arrivals (DACA) program; (3) issuing an executive order threatening to withhold all federal funding from safe and welcoming jurisdictions; (4) ending work permits for spouses of high-skilled visa holders; (5) scaling back the Temporary Protected Status (TPS) program; and (6) threatening cuts to family-based immigration (which the President calls "chain migration") and the diversity visa program.

States have been at the forefront of challenging many of the Administration's unconstitutional and illegal actions, and have obtained injunctions against the order threatening to withhold federal funds from safe and welcoming jurisdictions and the third iteration of the Travel Ban (although that injunction was lifted by the Supreme Court in December). States are also litigating to stop the rescission of DACA and to protect jurisdictions, including Middlesex County and Newark, that have been contacted by the Department of Justice about a possible loss of Byrne/JAG funds. The new Attorney General should consider participating in these lawsuits, either as a party or amicus, where possible.

As the Governor-elect takes office, New Jersey has a unique opportunity to protect its sizeable immigrant and refugee population and to fight back against federal attacks that undermine both our public safety and our Constitution. By taking the following steps, the Governor-elect can protect the rights of immigrants and refugees in New Jersey, strengthen our economy, and enhance public safety.

**i. Recommendation: Make state driver's licenses available to residents who meet age, residency and public safety requirements, regardless of their immigration status**

The Governor-elect should endorse legislation to extend a state-purpose-only driver's license to immigrants and other populations that cannot meet federal REAL ID license requirements, and work with the Motor Vehicle Commission to create privacy policies to ensure compliance with the REAL ID Act while ensuring that driver's license holders' information is adequately protected.

Twelve States and the District of Columbia already allow immigrants without legal status to obtain state driver's licenses. About half a million people in New Jersey would benefit from this law. Allowing immigrants without legal status to obtain state driver's licenses will improve safety on state roads by ensuring that drivers are knowledgeable of traffic laws, have been tested for driving ability, and are registered and insured. (A Stanford University study also found that after California began providing driver's licenses to immigrants without authorized status, the rate of hit-and-run accidents decreased.) It also may lead to a decrease in insurance premiums as more drivers become insured.

Cost: There will be an initial budget outlay to set up the program, but the revenue generated from new license holders should offset the cost within several years.

**ii. Recommendation: Consider revising AG Directive 2007-3 to enhance public safety and issue an executive order to protect the privacy of immigrants**

The Major Cities Police Chiefs Association has made clear: entanglement of local law enforcement in federal immigration enforcement undermines immigrant communities' trust, discourages crime victims and witnesses from coming forward, and damages public safety.

Current Attorney General Directive 2007-3 requires police to inquire about the immigration status of anyone arrested and charged with an indictable offense or driving while intoxicated. The new Attorney General should consider revising this directive to enhance trust between law enforcement and immigrant communities. The directive should:

- Prohibit state and local law enforcement officials from detaining people in response to non-binding ICE detainer requests unless accompanied by a valid judicial warrant.
- Limit state and local law enforcement officials from engaging in immigration enforcement activities except where required by federal or state law or judicial order.

The Governor-elect should also issue an executive order to prohibit non-law-enforcement state agencies from collecting immigration status information, except where required by federal or state law or a valid judicial warrant.

Cost: This proposal should be cost neutral.

**iii. Recommendation: Create an Office of Immigrant Protection to provide free legal representation to indigent immigrants detained and facing deportation**

Deportation tears apart families, costs New Jersey taxpayers millions of dollars, and devastates our communities. In 2015, 7,260 individuals were detained in New Jersey for civil immigration violations. The majority did not have attorneys. Only 14% of those who were unrepresented were successful in their petitions. The New York Immigrant Family Unity Project ("NYIFUP"), a state-funded pilot to extend pro bono representation to detained immigrants in New York, began in 2014. A recent report estimates that 48% of NYIFUP-represented cases will result in an outcome that avoids deportation, a 1,100% increase from before the program was implemented.

The Governor-elect proposed an Office of Immigrant Protection during the campaign to achieve this purpose. New Jersey should create this public defender system for indigent immigrants who are detained in New Jersey, facing deportation, and cannot afford an attorney.

Cost: The cost for such a program, which should be included in the Governor-elect's budget, would be \$14-19 million dollars. However, there will also be mitigating savings. For example, by reuniting 750 families in the past two years, the New York program added a projected \$2.7 million in annual tax revenue.

### **III. PRIORITY: EXPAND ACCESS TO DEMOCRACY IN NEW JERSEY**

Central to a functioning democracy is the principle that all of its members have a fair and equal voice in its governing, and the right to vote is a fundamental right that undergirds all of our other constitutional rights. We are also a better, stronger, more representative democracy when more people participate. New Jersey, however, ranked just 29th in turnout in the 2016 presidential election, the second-lowest turnout ever recorded in this State for a presidential year. As a State, we must advance voting rights reforms that will empower more people to participate in the political process.

**i. Recommendation: Endorse legislation to implement Automatic Voter Registration (AVR) at Motor Vehicle Commission (MVC) Offices**

New Jersey should join nine other States and the District of Columbia that have adopted “automatic voter registration,” a reform that registers eligible people when they interact with government agencies like the MVC unless the person opts out.

AVR increases registration and voting, reduces errors and costs in the registration process, and helps maintain more accurate voter rolls. It was included in the Democracy Act of 2015, which Governor Christie vetoed, and was again passed as standalone legislation (A1944) in August 2016, when it was again vetoed.

To ensure that all eligible New Jersey residents can benefit from AVR, the Governor-elect should also examine the possibility of establishing AVR at government agencies beyond the MVC, such as agencies that provide public assistance.

Cost: The fiscal note to the 2015 Democracy Act noted that AVR in Oregon was estimated to cost \$753,445 during 2015-2017 and \$42,616 during 2017-2019. However, Oregon was also estimated to save \$110,707 during 2015-2017 and \$147,610 during 2017-2019, resulting in an overall net savings.

**ii. Recommendation: Endorse legislation to restore voting rights to people on probation, parole, or other community supervision**

New Jersey currently denies the right to vote to more than 94,000 people because of a criminal conviction. Of those, three-quarters are living in the community while on parole or probation. About half of those denied the right to vote are Black, and more than 5% of the Black voting age population is barred from voting under this law—a result of New Jersey’s extreme racial disparity in incarceration rates.

Research shows that voting helps to facilitate rehabilitation and reduce recidivism. One study, for example, showed that people with criminal convictions who voted were only half as likely to be rearrested in the three years after they voted as compared to those who did not vote. Restoring the right to vote also helps to promote broader community engagement and civic participation.

Cost: There will be no cost to the State.

**iii. Recommendation: Endorse legislation to create online voter registration (OVR)**

Across the country, online registration is a popular and common method of registering voters that allows citizen to securely register from any computer that is connected to the internet. Removing the need for voters to print and mail forms reduces errors on the rolls, improves efficiency, eliminates unnecessary paperwork, and increases registration rates.

More than half the States already have online registration, and the time has come for New Jersey to join them, as the Governor-elect acknowledged during the campaign.

Online registration was included in the Democracy Act of 2015, which Governor Christie vetoed.

Cost: The fiscal note to the 2015 Democracy Act says OVR will cost \$379,000 in the first year, and \$190,000 annually to implement. However, there are also likely to be significant cost savings. For example, Maricopa County, Arizona saved \$1.4 million over four years, or \$350,000 per year, by implementing OVR.

#### **IV. PRIORITY: RESTORE THE RELATIONSHIP OF RESPECT BETWEEN THE GOVERNOR AND AN INDEPENDENT JUDICIARY**

For over sixty years after the current New Jersey Constitution was adopted in 1947, twelve New Jersey governors from both major political parties developed an admirable tradition of respect for the role of an independent judiciary. Through a number of unwritten but assiduously observed practices, prior governors refused to use their constitutional authority to nominate judges in order to gain immediate partisan political advantage. The State Senate, in turn, routinely confirmed the nominations of the Governor, even if the Governor was of the opposing political party, in what was a non-partisan and non-politicized process. These practices contributed to the reputation of the New Jersey Judiciary as among the finest—if not the finest—in the nation.

Governor Christie’s refusal to re-nominate two qualified members of the Supreme Court—Associate Justice John E. Wallace, Jr. (a Democrat) and Associate Justice Helen Hoens (a Republican)—triggered a lengthy dispute with the State Senate, which then, for the first time under our current Constitution, rejected the Governor’s nominations to the Court. The resulting standoff left the Court without a full complement of permanent members for years.

#### **We therefore recommend that the Governor-elect examine the following proposals:**

- Reaffirm the long-standing historical practices of prior New Jersey governors of re-nominating for tenure judges and justices appointed by predecessor governors as long as they are objectively deemed qualified.
- Reaffirm the long-standing historical practices of ensuring that no more than 4 members of the Supreme Court are of the same political party, and nominating judges to the Superior Court and other courts equally from the two major political parties.
- Reaffirm the Judicial Compact Procedures for the Relationship between the Governor and the New Jersey State Bar Association (commonly known as the “Hughes Compact”), under which the Bar Association has a nonpartisan role in reviewing judicial and prosecutorial candidates.
- Immediately upon taking office, develop a process for soliciting judicial candidates whose background and experience reflect the diversity of the communities that they will serve.
- Examine judicial salaries, which are necessary to attract qualified candidates.

Cost: These recommendations would incur no costs. Increasing judicial salaries could incur significant cost, especially considering the effect on other salaries (county prosecutors, clerks, sheriffs, surrogates) that are currently pegged by statute to a Superior Court judge’s salary.

#### **V. PRIORITY: ENDORSE LEGISLATION TO PREVENT GUN VIOLENCE**

As the Governor-elect recognized during the campaign, the gun violence epidemic is a public health crisis. As of December 18, 2017, 14,904 people had been killed by guns in 2017, including 704 children under the age of 11. There have been 333 separate mass shooting incidents so far this year. Yet Governor Christie has repeatedly vetoed sensible reforms that were supported by a majority of New Jersey residents. And Congress is bent on making it worse: On December 6, the House passed the Concealed Carry Reciprocity Act, which would require New Jersey to honor concealed-carry permits from other States. The effect of the bill would be to create what amounts to a national gun permit that must be

recognized even by States, like New Jersey, with stronger permitting standards. The Governor-elect should work with the legislature to enact sensible gun safety regulations.

**i. Recommendation: Endorse legislation to ban the possession of bump stocks**

Nearly three months after the deadliest mass shooting in modern American history, proposed federal legislation banning bump stocks, the device used by the Las Vegas shooter to kill 58 people and injure over 500 others, stalled. Bump stocks are equipment that replaces the stock of a rifle and adds a small “support step” in front of the trigger, turning a semi-automatic rifle into a weapon that can fire approximately 400 to 800 rounds per minute. Bump stocks are explicitly banned in California and Massachusetts, and several other States are considering similar laws. There is simply no “safe” use for bump stocks. The Governor-elect should therefore endorse legislation to ban the possession of bump stocks and like devices entirely. Such a bill passed the Assembly in December (A5200) and was reported from the Senate Committee on December 18, 2017. The Governor-elect has publicly stated he would sign the legislation if passed.

Cost: There would be no cost to the State.

**ii. Recommendation: Endorse legislation to create Gun Violence Restraining Orders**

Gun violence protective order laws, also known as gun violence restraining orders (GVROs) and extreme risk protection orders, allow immediate family members and law enforcement officers to petition a court to temporarily remove a person’s access to a gun if he or she poses an imminent danger to self or others. In situations where there is sufficient evidence for a judge to find that an individual poses a danger to self or others, a GVRO temporarily prohibits the individual from purchasing or possessing firearms or ammunition and allows law enforcement to remove any firearms or ammunition already in the individual’s possession. Similar laws have been enacted in California and Washington. Like the domestic violence restraining orders in place in all fifty States, the GVRO has the potential to prevent harm in a crisis.

Cost: There would be no cost to the State.

**VI. PRIORITY: PROTECT THE RIGHTS OF WOMEN**

Protecting the rights of women is more critical today in light of the Trump Administration’s war on women, specifically regarding equal pay, sexual harassment and the right to contraception. Women comprise approximately half of the American workforce, and are the primary or sole breadwinners in nearly 40 percent of families. Yet women who work full time in New Jersey are paid 80 cents for every dollar paid to men. The gap is worse for mothers: According to 2013 data, mothers who work full time are paid 71 cents for every dollar paid to fathers. And it is even worse for women of color: Hispanic women earn just 43 cents and Black women earn just 58 cents for every dollar paid to white, non-Hispanic men. In August, the Trump administration suspended new pay-data collection provisions that were designed to help bring transparency to employers’ pay practices, which are often secret. And Governor Christie has repeatedly vetoed legislation aimed at narrowing the gender wage gap.

Additionally, the #metoo movement may be ushering in a cultural turning point on sexual harassment and sexual assault, and the Governor-elect should take this opportunity to review whether New Jersey can do more to stop this epidemic. Studies show that approximately 30% of women have experienced some form of unwanted sexual conduct at work. And according to a report by the New Jersey Task Force on Campus Sexual Assault, approximately 20% of undergraduate women experience sexual violence while in college.



Finally, in October the Trump Administration issued regulations allowing employers with any “moral” or “religious” objection to opt out of the Affordable Care Act’s requirement that they provide contraceptive coverage for their employees, while simultaneously removing the previous guarantee that women who do not share their employer’s views on contraception can still get access to coverage. This could lead many New Jersey women to lose coverage and seek state-funded sources of contraceptive care. Several States challenged the regulations, and federal courts in Pennsylvania and California have issued nationwide injunctions. The U.S. Department of Justice will almost certainly appeal, and New Jersey should seek to participate as an amicus in those appeals.

**i. Recommendation: Promote equal pay for women.**

The Governor-elect should endorse legislation to narrow the gender pay gap. Governor Christie vetoed legislation (S992/A2750) in 2016 which would have made it unlawful for an employer to pay men and women differently “for substantially similar work”; allowed employees to recover back pay for the entire period in which they suffered pay discrimination; provided treble damages for back pay; and required employers who contract with the State to keep records of employees’ gender, race, job title and compensation and turn them over to the Department of Labor upon request. Similar laws have recently been enacted in six other States. Governor Christie then agreed to a compromise measure that would have been substantially similar to S992 except for providing double instead of triple damages and defining pay discrimination as paying men and women differently for “substantially *equal* work . . . performed under reasonably similar working conditions,” rather than “substantially *similar* work.” California, Massachusetts and Oregon require equal pay for “substantially similar work,” “comparable work,” and “work of a comparable character.” The Governor-elect should support the “substantially similar” language, but should also consider adding an affirmative defense, modeled after the Massachusetts law, for employers who conduct their own compensation audits and take steps to eliminate gender pay discrepancies. Cost: There would be no cost to the State.

The Government-elect should endorse legislation to prohibit employers from asking questions about pay history during the hiring process, which perpetuates the effects of pay discrimination on women. Although similar legislation was vetoed by Governor Christie in 2017, it has been passed in Massachusetts, Delaware, Oregon, New York City, San Francisco and Philadelphia.

At the very least, the Governor-elect should issue an Executive Order (1) prohibiting public contractors from asking questions about pay history during the hiring process; and (2) requiring public contractors to provide the Department of Labor with records of employees’ gender, race, job title and compensation. The latter is especially important given the Trump Administration’s suspension of EEOC pay-data collection provisions that were designed to help bring transparency to employers’ pay practices.

Cost: The above measures would incur no costs to the State.

**ii. Recommendation: Promote policies to address sexual harassment.**

In the first 100 days, the Governor-elect should ensure that the State’s sexual harassment training program is current, comprehensive, and mandatory for state employees at all levels. The training should focus not only on the letter of the law but also on fostering a respectful workplace and encouraging witnesses to report inappropriate or illegal behavior.

The Governor-elect should endorse legislation to create a Campus Sexual Assault Commission whose membership includes at least one campus sexual assault survivor. The Commission would be required to study and evaluate emerging issues, policies, and practices concerning campus sexual assault and to develop an action plan. This is especially important because the Trump Administration recently rescinded Obama-era guidance that required schools to do more under Title IX to protect victims of sexual assault on campus.

Cost: Updating the State's sexual harassment training could cost money. The Commission would impose no cost on the State.

## **VII. PRIORITY: PROTECT THE RIGHTS OF LGBTQ NEW JERSEYANS**

LGBTQ rights are under assault across the country. The Department of Justice recently contradicted the Equal Employment Opportunity Commission in denying that federal nondiscrimination laws apply to LGBTQ people; LGBTQ residents in 30 States still lack the most basic protections in employment, housing, and public accommodations; and 45 bills were introduced in 22 States to allow organizations and corporations religious exemptions to serving LGBTQ clients. And on August 25, 2017, President Trump directed the Secretary of Defense and Secretary of Homeland Security, effective January 1, 2018, to ban transgender individuals from joining the military. He also made current transgender service members possibly subject to discharge effective March 2018. New Jersey has taken the opposite approach, recently enacting legislation to prohibit state-regulated insurers from discriminating on the basis of gender identity and requiring schools not to compel transgender students to use bathrooms or locker rooms that conflict with their gender identities. But New Jersey law still requires transgender people to prove they have undergone sexual reassignment surgery before the State Registrar will change gender on a birth certificate. This is not only unfair; it is also misguided. The law should not penalize transgender individuals for making the medical decisions that are right for them.

### **i. Recommendation: Endorse legislation to permit transgender individuals to amend their birth certificates without undergoing sex reassignment surgery**

The Governor-elect should endorse legislation which would require the State Registrar to change sex (and name) on a birth certificate if the person provides a form from a "licensed health care provider which indicates that the person has undergone clinically appropriate treatment for the purpose of gender transition, based on contemporary medical standards, or that the person has an intersex condition." Gov. Christie has twice vetoed such legislation, citing concerns with fraud, deception and abuse, but the standard required by the bill is materially identical to the standard used in seven other States and the standard used by the United States to change gender on a passport. Signing this legislation would fulfill the Governor-elect's campaign promise to "allow transgender people to select their gender on birth and death certificates."

Cost: There should be no cost to the State.

### **ii. Recommendation: Seek to participate as an amicus in lawsuits against the transgender military ban and other actions that seek to harm the LGBTQ community**

## **VIII. PRIORITY: PARTICIPATE IN LITIGATION TO PROTECT NEW JERSEY'S RESIDENTS FROM HARMFUL NATIONAL POLICIES.**

As noted throughout this memo, States have been at the forefront of litigating against illegal and unconstitutional federal policies that threaten harm to New Jersey citizens and to the State itself. In additions to the lawsuits already mentioned concerning the Travel Ban, the rescission of DACA, the

transgender military ban, and the new exemptions to the contraceptive requirement, States are also challenging a variety of illegal actions the Administration has taken regarding: (1) the environment, including the EPA's administrative stay of methane standards for the oil and gas sector; (2) consumer protection, including the Department of Education's decision to indefinitely delay the implementation of borrower-defense regulations, which protect students at for-profit colleges; and (3) health-care, including Administration's decision to terminate cost-sharing reduction subsidies under the Affordable Care Act. States also have publicly stated that they will sue now that Congress has largely eliminated the deduction for state and local taxes (SALT) because by attempting to tax taxes paid to state governments, the federal government denies the co-equal sovereignty of the States. The Attorney General should consider joining these suits, either as a party or an amicus. The new Attorney General should also consider creating a Solicitor General position within the Department of Law and Public Safety to oversee the State's litigation in federal and state courts of appeal and the U.S. Supreme Court and possibly to oversee affirmative litigation against the federal government.

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The Governor, Lieutenant Governor, and the entire senior transition team staff greatly appreciate the immense amount of work, participation and expertise that all our co-chairs, committee members and deputy directors who staffed each committee provided since the transition began in November. This hard work and positive energy about how New Jersey can once again become a national leader has resulted in a robust set of recommended priorities and actions for the incoming administration to consider. As with any collaborative endeavor, many recommendations and opinions were expressed and debated during the committee meetings and the drafting of the reports by co-chairs, committee members, and Deputy Directors. The final reports may contain recommendations that do not reflect the concurrence of all co-chairs or committee members, nor of the organizations they represent. These reports are purely advisory and do not reflect the positions of the Governor-elect or any other elected official.



# Report of the Military and Veteran Affairs Transition Advisory Committee

Submitted to Governor-elect Phil Murphy and Lieutenant  
Governor-elect Sheila Oliver

January 1, 2018

## EXECUTIVE SUMMARY

The Military and Veterans Affairs Policy Group recommends that the Governor-elect consider the following recommendations to accomplish the top six key priorities:

**I. Priority: Align the State definition of “Veteran” to match the federal definition for any and all benefits**

Acknowledge and recognize Veterans under the same principles as the federal government in regards to benefits.

- i. Support legislation to broaden the eligibility for various Veterans’ benefits and expand the definition of Veteran to include retired members of the National Guard and Reserves with more than 20 years of service
- ii. Support legislation to expand eligibility for Veterans’ civil service preference and create additional preference benefits

**II. Priority: Conduct a feasibility/impact study to evaluate creating a separate Department of Veterans Affairs from the New Jersey Department of Military and Veterans Affairs (DMVA)**

Restructure the DMVA to deal with challenges that Veterans’ face today as addressed in an op-ed by Governor-elect Murphy.

- i. Recommendation Number 1: Conduct a study to evaluate the feasibility of a separate NJ Department of Veterans Affairs and coordinate formal focus groups with a diverse array of leaders of many of the State’s Veteran Service Organizations as well as Veterans from various conflicts
- ii. Recommendation Number 2: Conduct a feasibility analysis to determine options for centralizing all Veteran services

**III. Priority: Coordinate with the federal Department of Veterans Affairs (VA) to improve health care**

Collaborate with the VA to evaluate solutions for underserved senior and southern Jersey Veteran communities.

- i. Implement regulations through the NJ Department of Health, or as a condition of any State funding received by hospitals and clinics, to require New Jersey healthcare entities to accept Tricare, VA Choice or military insurance reimbursement so that Veterans who lack access to the VA can get timely care
- ii. Implement regulations to expand access to “telehealth”, starting with online prescription refills, renewal of medication and primary care help
- iii. Facilitate electronic medical records and database access across VA and private providers
- iv. Improve transportation to VA facilities. Provide public transportation directly to the Lyons VA facility, which provides women’s services, beginning with establishing bus service for Access Link/NJ Transit

**IV. Priority: Set a Statewide goal to get Veteran homelessness to “functional zero” within one year by focusing on residential job training and active outreach**

Continue national progress of the Obama Administration to end Veteran homelessness.

- i. Set a Statewide goal by Executive Order to get Veteran homelessness to “functional zero” within one year by focusing on residential job training and active outreach (Veterans Haven, Stand Downs for homeless Veterans)

**V. Priority: Establish a Task Force to ensure that New Jersey is fully using available federal funds to serve our Veterans and service members**

Maximize federal funds for Veterans, military personnel and families.

- i. Create a Task Force by Executive Order to ensure that New Jersey is fully utilizing all available federal funds for skilled nursing facilities versus assisted living, homelessness, post-traumatic stress disorder care (PTSD), chronic pain, research, education and hospice care.

**VI. Priority: Improve outreach so as to increase the number of Veterans accessing their benefits**

Help to spread the word so that Veterans are aware of their benefits.

- i. Direct the DMVA by administrative action to create a user-friendly website with information on how to navigate the benefits system in New Jersey.
- ii. Expand ‘peer to peer’ Veterans’ assistance in navigating benefits systems.
- iii. Ensure every county has a Veteran Service Office actively addressing Veterans’ needs and establish a statewide coordination entity.

## REPORT

### I. **PRIORITY: ALIGN STATE DEFINITION OF “VETERAN” TO MATCH FEDERAL DEFINITION**

The term “Veteran” is subject to various interpretations under the law, which invites confusion regarding benefits. Some Veterans still believe that you must serve in combat or spend 20 years on active military duty and retire. Veterans’ benefits were not all created at one time and therefore eligibility criteria and benefits can differ. The result is that at the state level Veterans’ eligibility for benefits vary depending on which program or benefit a person is applying for.

In New Jersey, the term “Veteran” commonly refers to a person who has served in any branch of the Armed Forces of the United States during a specific period, and often for a specific length of time. At present, in New Jersey there are a number of statutes that confer special benefits to Veterans who qualify. At the federal level, on the other hand, the statutes define a “Veteran” as a person who served in the active military, naval, or air service and who was discharged or released under conditions other than dishonorable. This definition means that any individual that completed service for any branch of the United States Armed Forces classifies as a Veteran as long as they were not dishonorably discharged.

To add to the confusion, the definition of a Veteran for a specific benefit in New Jersey often depends on either the particular period of time in which a person served in the armed forces or the type of service a person rendered. The benefits include: a) civil service preference; b) enhanced retirement benefits under the Teachers' Pension and Annuity Fund, the Public Employees' Retirement System, and the Police and Firemen's Retirement System; c) tuition credits at State colleges; and d) the Veterans' property tax deduction. Each of these statutes contains specific and differing qualifications for the benefit granted.

Currently, in order to qualify for Veterans’ preference in New Jersey, a Veteran must have served at least 14 days of active duty during a qualified war era, as specified by the President of the United States or Secretary of Defense. Further, the New Jersey Constitution provides that honorably discharged veterans of certain wars or other military emergencies who are residents of New Jersey, and their surviving spouses, are entitled annually to a \$250 deduction from the amount of any tax bill for taxes on real and personal property, or both, including taxes attributable to a residential unit held by a stockholder in a cooperative or mutual housing corporation. In addition, current law grants certain totally and permanently disabled war veterans and their surviving spouses a full exemption from property taxes.

Veteran Service Organizations, such as the Veterans of Foreign Wars and others support broadening the eligibility for various Veterans’ benefits by eliminating the requirement that to be considered a veteran a person must have served during periods of war, in specific war zones, or during periods of emergency.

**i. Recommendation: Support legislation to broaden the eligibility for various Veterans’ benefits and expand the definition of Veteran to mirror the definition in federal law, which includes retired members of the National Guard and Reserves with more than 20 years of service**

The definition of Veteran was expanded in federal law in January 2017 to include retired members of the National Guard and Reserves with more than 20 years of service. Federal law previously defined Veterans as service members with more than 179 consecutive days of federal (Title 10) active duty for other than training. Most active-component members meet the standard after a year of service. However, until the War on Terror, many Guard members and Reservists served entire careers without a qualifying mobilization. Many states, but not New Jersey, have adopted the federal definition.



Cost: The estimate of newly eligible Veterans in New Jersey may increase each year from the current number, which is approximately 200,000. The legislation would require expenditure increases to the Property Tax Relief Fund for reimbursements to municipalities for property tax deductions by up to \$59.6 million in the first year. The legislation could also increase annual contribution costs for the State for the Teachers' Pension and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS).

**ii. Recommendation: Support legislation to expand eligibility for Veterans' civil service preference and create additional preference benefits**

Legislation currently awaiting a vote in the State Senate would expand the eligibility for Veterans' hiring preference in the civil service so that individuals who are eligible for Veterans' preference in the federal civil service but are not eligible in the State civil service would receive additional points above the individual's earned score on State civil service examinations. To receive additional points, a person must meet the eligibility requirements under federal law. Five points would be added to the passing examination score of an individual who is currently not eligible for State Veterans' hiring preference. Ten points would be added to the passing examination score of an individual who is not eligible for State disabled Veterans' hiring preference, but who served at any time and (1) has a present service-connected disability or (2) is receiving compensation, disability retirement benefits, or a pension from the federal military or the VA. The application of this new benefit to disabled veterans who did not serve in a time of war would apply only if an amendment to the State constitution is approved by the voters to permit such disabled Veterans to receive the benefit.

Cost: According to the fiscal estimates prepared by the Office of Legislative Services with respect to the proposed legislation, there is a \$900,000 cost for a one-time programming change to accommodate an extra point preference program for specified Veterans.

**II. PRIORITY: CONDUCT FEASIBILITY STUDY TO EVALUATE SEPARATE NJ DEPARTMENT OF VETERANS AFFAIRS**

Since the late 1980s, the overall structure of DMVA has remained largely unchanged. The Adjutant General is a member of the Governor's cabinet and is responsible for commanding the New Jersey Army and Air National Guard and managing all of the State Veterans' programs, commissions and facilities. The Adjutant General has two deputies: (1) the Deputy Adjutant General ("DAG"), and (2) the Administrator of Veterans' Affairs as outlined in NJAC 5A:1-1.3(b) and (c).

The Administrator of Veterans' Affairs directs and oversees three (3) divisions: (1) the Division of Veterans' Administrative Services, (2) the Division of Veterans' Loans, Grants and Services, and (3) the Division of Veterans' Training, Information and Referrals. Each division has a Director. The Division of Veterans' Administrative Services is responsible for the supervision and operation of the three (3) Veterans' nursing homes (Paramus, Vineland, Menlo Park), and the New Jersey Veterans' Memorial Cemetery - Arnetown.

In July 2016, as a Democratic gubernatorial candidate, Phil Murphy wrote an op-ed to advocate for a new approach to how New Jersey serves Veterans. The proposal was to, "Divide DMVA into two separate agencies — one with responsibility for the National Guard and another responsible for Veterans.

Veterans' issues are fundamentally distinct from military affairs, and our bureaucratic structure should reflect that reality.”

If restructured, the new NJ Department of Veterans Affairs would consist of the following divisions: Employment and Skills Development; Mental health; Higher Education; Veteran-Owned Businesses; and Military Transitions and Families.

- i. Recommendation: Conduct a study to evaluate the feasibility of a separate NJ Department of Veterans Affairs and coordinate formal focus groups with a diverse array of leaders of many of the State's Veteran Service Organizations as well as Veterans from various conflicts**

FY 2017 budget data notes that the DMVA served approximately 91,000 veterans. DMVA is also responsible for the support and coordination of various services to military Veterans in New Jersey including Outreach and Assistance, Veterans' Haven, Burial Services, and the three Veterans' Memorial Homes in Paramus, Vineland and Menlo Park. The DMVA operates over 16 Veteran service offices throughout the State. DMVA provides support to New Jersey Veterans through a network of services that run the gamut from mental health treatment to long-term care to ensure that veterans receive all applicable federal benefits. Trained Veterans Service Officers at those offices also assist Veterans with issues pertaining to employment, education, burial, counseling, housing, social and medical services and other areas of concern to Veterans and their families. These services of DMVA must be evaluated to decide whether they providing an adequate level of service and whether that service needs improvement. As part of the study, formal focus groups should be held with a diverse array of leaders of many of the State's Veteran Service Organizations as well as Veterans from various conflicts.

Cost: Although the Committee did review a budget for the proposed study, we believe the cost would be minimal.

- ii. Recommendation: Conduct a feasibility analysis to determine options for centralizing all Veteran services**

DMVA, in conjunction with Rutgers, operates a veteran peer support program telephone helpline, known as the “Vet2Vet Hotline.” The helpline features clinical assessment and assistance to veterans and their family members. In addition, it provides New Jersey Veterans and their families with access to a network of mental health professionals specializing in Post-Traumatic Stress Disorder and other veteran issues, including traumatic brain injury, 24 hours-a-day, and seven days-a-week. Current law requires the appropriation annually of a sum sufficient for the operation of the program. The law also requires the DMVA and Rutgers to consult on a quarterly basis with the New Jersey Division of Mental Health Services within the Department of Human Services, the VA, the New Jersey Health Care Network, at least two New Jersey Veteran Centers, and at least two State recognized Veterans groups.

Vets4Warriors is a 24/7 peer support telephone service designed to meet the underserved needs of the returning National Guard and Reserve members who were now serving their country at unprecedented rates. The program grew out of Rutgers University Behavioral Health Care based on the organization's nationally recognized “Cop2Cop” peer support program. In August of 2013, Vets4Warriors transitioned into the Defense Suicide Prevention

Office (DSPO), a federal Department of Defense (DoD) program. When DoD cut support for the program in 2016, the legislature appropriated funds to maintain it.

Since its inception in December 2011, Vets4Warriors has made over 200,000 Veteran contacts and has continuously employed over 40 New Jersey veterans. While the DMVA operates the “Vet2Vet Hotline” in conjunction with Rutgers, the appropriation for Vets4Warriors is in the Department of Health. Vets4Warriors should be in DMVA. Other Veterans programs should be evaluated to see whether they can be centralized in DMVA.

Cost: The “Vet2Vet” Hotline costs \$383,000 and Vets4Warriors costs \$2.5 million. The cost of the study is minimal.

### **III. PRIORITY: COORDINATE WITH VA TO IMPROVE HEALTHCARE**

A bill creating the New Jersey Veterans Hospital Task Force (Task Force) was signed into law on February 3, 2011. The Task Force completed its work in 2012. The Task Force wrote 10 recommendations, among which included a pilot program to give area Veterans greater access to local medical centers, including but not limited to, Cape May Regional Medical Center and Shore Memorial Hospital.

The Task Force reviewed the capital, operational and administrative expenses associated with establishing a new Veterans’ health care facility in southern New Jersey, and compared it with the cost of contracting with an existing health care facility to provide medical services to Veterans. The Task Force obtained and reviewed statistical data on the number of veterans residing in Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Ocean, and Salem counties and the number of Veterans receiving medical services at hospitals within those counties in the past five years.

During the Task Force meetings, its 18 members received testimony from Veterans about the significant challenges faced seeking healthcare and the demeaning process they had to go through to meet their healthcare needs. Some of the hardships mentioned included traveling considerable distances from their homes in southern New Jersey, in some cases resulting in trips of more than 100 miles and five hours travel time, and then spending additional time waiting for a meeting with a doctor.

In January 2016, legislation was enacted to require the DMVA to establish a program to provide assistance to qualified Veterans in in-patient and out-patient treatment programs to travel to attend medical counseling appointments for service-connected conditions approved and authorized by the VA in New Jersey. Currently, the DMVA is required develop, in cooperation with NJ Transit and the VA, a program to provide reimbursement, subject to available State or federal funding to qualified Veterans who spend their own funds to travel on public transportation to and from medical counseling appointments for service-connected conditions within the State using any bus or rail passenger service conducted by NJ Transit, when the Veteran is not otherwise eligible for payment for travel or reimbursement by means of an existing State or federal program.

Statistics show that 360,000 out of 1.8 million Veterans who served in Iraq or Afghanistan have traumatic brain injuries (TBI). Between four and 26% of those who have served since 2001 have a service-connected disability. In total, of America’s 22 million Veterans, more than 3 million are receiving VA disability compensation.

The VA health system has capacity issues and a lack of specialties especially for female Veterans. Of America’s 22 million Veterans only 9 million or 41% use the VA. Primary care services for women are lacking (e.g. only one in four VA facilities have gynecology services on site) and there are only five VA Veteran Centers Statewide. The provision of care in communities is important for all Veterans, especially

where there is a lack of geographic access in southern New Jersey and the northwest, despite 23 in State VA healthcare facilities. Veterans face ongoing issues with TBI, PTSD, substance abuse, military sexual assault, recovery from injuries-amputations/orthopedics.

The VA system of care through the Veteran Integrated Service Network (VISN) geographic network benefits only the VA and is detrimental to NJ Veterans who have to seek care in out-of-state facilities (NY, PA, and DE). It is confusing and difficult to navigate and only 13% of VA administrators and providers are Veterans. Military culture has only been part of the VA's orientation consistently in the last four years.

- i. **Recommendation: Implement regulations through the NJ Department of Health, or as a condition of any State funding received by hospitals and clinics, to require New Jersey healthcare entities to accept Tricare, VA Choice or military insurance reimbursement so that veterans who lack access to the VA can get timely care**

The Governor-elect cannot directly change VA health policies but can influence changes in many ways through the congressional delegation. The VA is moving toward community based care in the private sector. Meanwhile, the Governor-elect can insist that statewide providers accept VA contracts when offered and TRICARE/VA Choice or military insurance reimbursement which is not currently universally accepted at all hospitals and providers.

Cost: The cost should be minimal.

- ii. **Recommendation: Implement regulations to expand access to “telehealth” starting with online prescription refills, renewal of medication and primary care help**

Many Veterans experience considerable hardships included traveling considerable distances from their homes in southern New Jersey, in some cases resulting in trips of more than 100 miles and five hours travel time and then spending additional time waiting for a meeting with a doctor. This measure would allow Veterans to remain in place without the need for long and tedious travel.

Cost: Telehealth may result in decreased expenditures in the long term due to improved management and coordination of treatment for chronic diseases.

- iii. **Recommendation: Facilitate electronic medical records (EMR) and database access across VA and private providers**

Having EMR or electronic health records more functionally integrated would be beneficial for everyone, not just veterans.

Cost: Electronic medical records are expected to have lower costs because of better coordination of care and a reduction in medical errors.

- iv. **Recommendation: Improve transportation to VA facilities. Provide public transportation directly to the Lyons VA facility, which provides specific women's services, beginning with establishing a bus stop for Access Link/NJ Transit**

New Jersey provides transportation services for Veterans, through a DMVA funded program, to the East Orange VA health care facility, but not to VA health care facilities in Wilmington or Philadelphia. Currently, the Veterans Transportation Program only offers transportation solutions to eligible New Jersey Veterans to and from the VA health care facility in East Orange, New Jersey. Currently, there is no public transportation available to the Lyons VA

facility in Somerset County, the only facility in the State that provides services to women veterans.

Many Veterans, because of an illness, disability, or financial constraints, find transportation to various locations, especially medical appointments, to be a hardship. Many older Veterans are in need of transportation because they no longer drive but still have medical appointments. Access Link does charge a minimal fare and the service is only available where NJ Transit currently has an established route.

The Governor-elect direct Access Link/NJ Transit to provide bus transportation to, and create a bus stop in, Lyons.

Cost: We did not conduct a study of the cost of providing bus service to Lyons. The symbolic benefit of doing so, however, would be considerable.

#### **IV. PRIORITY: SET A STATEWIDE GOAL TO REDUCE VETERAN HOMELESSNESS TO “FUNCTIONAL ZERO”**

In May 2009, President Barack Obama signed legislation that required the federal Interagency Council on Homelessness to develop "Opening Doors" as the first national plan to combat homelessness. "Opening Doors" outlined the federal government's commitment to make homelessness a priority for all federal agencies and to partner with states, localities, private organizations and other stakeholders to make existing homeless programs more effective and efficient by using strategies that already have proved to be successful, most notable among these efforts is combining housing and supportive services for the chronically homeless. "Functional Zero" is reached when the number of Veterans who are homeless, whether sheltered or unsheltered, is no greater than the monthly housing placement rate for Veterans.

The State of New Jersey operates two transitional housing programs for homeless Veterans. Veterans Haven-North is a 100-bed, temporary home and training center for homeless Veterans which opened in July 2012. It is run by DMVA in a Spanish-mission-style facility, once part of the State's Hagedorn Geropsychiatric Hospital in Glen Gardner, Hunterdon County.

Veterans Haven-South is the second of DMVA's transitional housing programs for homeless Veterans on the grounds of the Ancora Psychiatric Hospital. The program is a long-term program, lasting three to six months during which veterans go through psychological, social, and vocational rehabilitation. The home is funded by DMVA and is supported by the VA and the federal Department of Housing and Urban Development (HUD) as well as service organizations, community agencies, veterans groups, and private citizen donations. Non-profit groups that serve Veterans believe that all programs to assist homeless veterans must focus on helping them obtain and sustain employment.

The staff at Veterans Haven-South specializes in mental health/social services counseling, vocational rehabilitation (workforce training partnerships), and nursing. A 24-hour-staff is on duty to provide psychological assistance, mentoring, and transportation services to the residents for medical appointments and other addiction counseling meetings.

- i. Recommendation: Set a Statewide goal by Executive Order to get Veteran homelessness to “functional zero” within one year by focusing on residential job training and active outreach (Veterans Haven, Stand Downs for homeless Veterans)**

One of the benchmarks was to include Veterans experiencing long-term homelessness as well as chronic homelessness to make it clear that no Veterans, with few and rare exceptions, can

remain homeless for extended periods of time. In 2016, according to the federal Department of Housing and Urban Development, Bergen County became the first county in New Jersey to end chronic Veteran homelessness.

Stand Downs refer to a grassroots, community-based intervention program designed to help homeless Veterans. Homeless Veterans are brought together in a single location for one to three days and are provided access to the community resources needed to begin addressing their individual problems and rebuilding their lives. In the military, Stand Down afforded battle-weary soldiers the opportunity to renew their spirit, health and overall sense of well-being.

The Governor-elect should continue to use Veterans Haven and DMVA resources to continue the national progress of the Obama Administration to end Veteran homelessness across the State.

Cost: This initiative should be coordinated with the Housing Policy Group, and should be complementary with its objectives, which also include ending homelessness.

## **V. PRIORITY: ESTABLISH TASK FORCE TO ENSURE NEW JERSEY IS USING ALL AVAILABLE FEDERAL FUNDS**

The Department of Military and Veterans Affairs brings nearly a half a billion dollars a year in federal funds to New Jersey through reimbursement of operating expenses of the National Guard and from VA entitlements DMVA obtains on behalf of Veterans. Federal funds have also benefited NJ National Guard armories.

According to the FY 2018 DMVA budget, Veterans Service Officers have steadily increased the amount of VA benefits received by New Jersey veterans from \$72 million in FY 2009 to \$173 million in FY 2016. That represents a 140% increase. Nevertheless, the majority (85%) of that money went to New Jersey Veterans for compensation for service-connected ailments, which includes Post-Traumatic Stress Disorder, (PTSD) Traumatic Brain Injury, and Agent Orange Exposure and hearing loss.

DMVA's three long-term care Memorial Homes for Veterans and their spouses in Menlo Park, Paramus and Vineland provide care to 948 residents annually. The FY 2018 DMVA budget notes that in addition to State appropriations of \$78 million, the Memorial Homes leverage nearly \$11 million in federal Medicare funds to offset operating costs. Furthermore, collections of federal VA diem and resident contributions were deposited directly into the State's General Fund.

FY 2018 DMVA information notes that the operations costs for Veterans Haven-South were \$2.3 million, of which \$963,000 was appropriated. The balance is provided by the federal VA Grant Per Diem Program (GPD). The operational costs for Vets Haven-North were \$1.9 million, of which \$1.1 million was appropriated. The balance was provided by the VA under the Shield Program to alleviate acute homelessness among Veterans.

- i. Recommendation: Establish a Task Force by Executive Order to ensure that New Jersey is fully utilizing all available federal funds, including but not limited to, skilled nursing facilities vs assisted living, homelessness, post-traumatic stress disorder care (PTSD), chronic pain, research, education and hospice care**

New Jersey needs to work closely with our congressional delegation to maximize all available federal funds to serve our Veterans and service members. We could always do better to improve the lives of our Veterans, service members and their families.

The Governor-elect should appoint Veteran leaders, medical personnel, and the Military and Defense Economic Ombudsman, as well as budget experts.

New Jersey should maintain lobbying efforts to build coalitions with the National Governor's Association and the New Jersey Congressional Delegation.

Cost: The cost is minimal.

## **VI. PRIORITY: IMPROVE OUTREACH TO INCREASE THE NUMBER OF VETERANS ACCESSING BENEFITS**

In January 2016, legislation was enacted to require the Adjutant General of DMVA to create a comprehensive public webpage for women Veterans. That webpage includes, but is not limited to the following information: Veterans' legal rights, benefits, medical and insurance issues, education, the transition from active service to civilian life, and other resources available to Veterans.

DMVA has a "One Mall a Month" schedule for the Veterans Outreach Program to talk one-on-one with Veterans or their family members about the wide variety of State and federal Veterans benefits. Many Veteran Service organizations members volunteer at the Department's three Veterans Memorial Homes (Paramus, Vineland, and Menlo Park) and the Veterans Haven transitional housing program.

Veterans services—although there are comprehensive resources and services, coordination can be fragmented and information difficult to find. Websites are not user friendly and adequate personnel positions are not always filled due to State hiring freezes. Transitioning to civilian jobs or schools has been fragmented with outreach not connecting with the military members exiting the United States Armed Services whether active duty, Guard or Reserve.

### **i. Recommendation: Direct the DMVA by administrative action to create a user-friendly website with information on how to navigate the benefits system in New Jersey**

The Governor-elect should direct the DMVA to create a user-friendly website with information on how to navigate the benefits system in New Jersey. There should be an effort to separate the National Guard website from the Veterans' website.

Cost: The cost should be minimal.

### **ii. Recommendation: Expand "peer-to-peer" Veterans' assistance in navigating benefits systems**

Veterans are much more likely to respond to assistance from a fellow Veteran. This is why "peer-to-peer" is so important. Similarly, in Veterans Courts one key to their success is the involvement of mentors, other Veterans with common experiences who guide the participants through the process and offer support. Veterans form relationships with their mentors and other Veterans. The Governor-elect should direct the DMVA to encourage more "peer-to-peer" Veterans' assistance.

Cost: The cost should be minimal because of volunteers.

### **iii. Recommendation: Ensure every county has a Veteran Service Office actively addressing Veterans' needs, and establish a statewide coordination entity**

The DMVA operates over 16 Veteran service offices throughout the State. DMVA provides support to New Jersey Veterans through a network of services that run the gamut from mental health treatment to long-term care to ensure that veterans receive all applicable federal benefits.

The Governor-elect should direct the DMVA by regulation to establish appropriate agreements to work with the counties to streamline the process for Veterans to help coordinate their benefits.

Cost: The cost should be minimal.



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Maj. Gen. Maria A. Falca-Dodson  
Former Cpt. Sue Fulton  
Sgt. Maj. Jennifer Long  
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Committee Members:

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The Governor, Lieutenant Governor, and the entire senior transition team staff greatly appreciate the immense amount of work, participation and expertise that all our co-chairs, committee members and deputy directors who staffed each committee provided since the transition began in November. This hard work and positive energy about how New Jersey can once again become a national leader has resulted in a robust set of recommended priorities and actions for the incoming administration to consider. As with any collaborative endeavor, many recommendations and opinions were expressed and debated during the committee meetings and the drafting of the reports by co-chairs, committee members, and Deputy Directors. The final reports may contain recommendations that do not reflect the concurrence of all co-chairs or committee members, nor of the organizations they represent. These reports are purely advisory and do not reflect the positions of the Governor-elect or any other elected official.



Report of the  
Stronger and Fairer Economy  
Transition Advisory Committee

Submitted to Governor-elect Phil Murphy and Lieutenant  
Governor-elect Sheila Oliver

January 1, 2018

## EXECUTIVE SUMMARY

The Stronger and Fairer Economy Transition Advisory Committee recommends that the Governor-elect consider the following recommendations to accomplish the following five key priorities:

- I. Priority: Establish economic growth and opportunity as a core policy project for the state**
  - i. Establish a Jobs and Economic Opportunity Council (JEOC) in the Governor's office to develop and advance the administration's economic and workforce development policy agenda
  - ii. Work with Choose New Jersey and other organizations to enhance guidance and support from New Jersey's business, nonprofit, labor, and education leaders
  - iii. Improve business outreach and simplify regulations to ensure that businesses are encouraged start, grow and relocate in New Jersey
  
- II. Priority: Grow New Jersey's economy and key sectors**
  - i. Support key industries with sector-based training programs and other targeted initiatives
  - ii. Improve physical infrastructure and reduce congestion
  - iii. Attract foreign direct investment (FDI)
  - iv. Assist New Jersey businesses with exporting goods and services
  - v. Review Economic Development Authority (EDA) incentive and loan policies to maximize the State's return on investment, and emphasize transparency and fiscal responsibility
  
- III. Priority: Grow New Jersey's innovation economy through public, private, research university partnerships**
  - i. Expand business incubators
  - ii. Make 21<sup>st</sup> century jobs available for all
  - iii. Enhance coordination between universities, businesses, and state government
  
- IV. Priority: Increase opportunities for business ownership and access to capital**
  - i. Assist entrepreneurs through programs such as one-stop business development centers and better software
  - ii. Appoint a Chief Diversity Officer (CDO) and modify state procurement policies to assist minority and women-owned business enterprises (MWBES)
  - iii. Conduct a feasibility study on a Public Bank and explore other means to promote local access to capital
  
- V. Priority: Ensure inclusive growth and advance economic security for all New Jerseyans**
  - i. Enact a \$15 minimum wage, expand family leave insurance, and establish statewide earned sick leave
  - ii. Curb gender-based pay disparities
  - iii. Promote local hiring policies by state-assisted organizations and businesses to increase job opportunities for community residents
  - iv. Improve public benefits programs, such as unemployment insurance, WorkFirst NJ, SNAP, to increase transitions to family-sustaining employment opportunities
  - v. Launch the Small Business Retirement Marketplace to assist New Jerseyans with savings
  - vi. Support working New Jerseyans by supporting organized labor

## REPORT

*Unless otherwise indicated, the recommendations outlined below can be achieved by administrative action and by reallocating resources.*

The Governor-elect often described our state's economy as "profoundly unfair, and flat as a pancake." Although New Jersey has numerous advantages—including its people, schools, location, and diversity—they have too often been overlooked. This administration is committed to creating a stronger, dynamic economy that provides opportunity for all. This will involve restoring New Jersey's leadership in the innovation and infrastructure economies. We will no longer neglect our transit system, and we will make the state a compelling location to create a company or introduce new ideas. It will also include taking a holistic view of how the government can support inclusive growth. The State should address entrenched barriers to employment and ownership, and help all residents find paths toward economic security. New Jersey needs to be a more affordable place for young people to start their careers. And the State should ensure that opportunities and gains are fairly distributed for all of our residents. New Jersey has the potential to be a model state for progressive economic growth in the 21<sup>st</sup> century.

### **I. PRIORITY: ESTABLISH ECONOMIC GROWTH AND OPPORTUNITY AS A CORE POLICY PRIORITY**

New Jersey's economy has fallen behind. Our state had the eighth slowest recovery from the Great Recession, and our economy has consistently grown behind the national average. For nearly a decade, the State has lacked a cohesive economic development agenda. This meant that certain programs, like corporate incentives, received significant attention, while others—like infrastructure investment or housing—were ignored. The Murphy administration should take a more active role in promoting economic growth and opportunity both through creating new policies and reforming current administrative structures. To assess progress, the state will monitor state GDP, median household income, poverty levels, unemployment and labor force participation, business friendliness rankings, business migration, and capital investment attracted and other signs of economic progress.

#### **i. Recommendation: Form the Jobs and Economic Opportunity Council (JEOC) in the Governor's office to develop and advance the administration's economic and workforce development policy agenda.**

This Council, modeled after President Obama's National Economic Council (NEC), would include leaders from the Governor's senior staff, the Economic Development Authority, the Departments of Education, Labor and Workforce Development, and Transportation, the Office of Higher Education, and Rutgers University's Heldrich Center for Workforce Development. Other components of state government would be included as needed.

Created by executive order, the council would develop economic policy, help coordinate the implementation of priority policies, and monitor program results. It would synthesize and distribute data from other departments, creating a dashboard to measure the state's economic progress. The council would work across agencies to maximize federal funding and coordinate philanthropic partnerships.

#### **ii. Recommendation: Work with Choose New Jersey and other business and community organizations to enhance guidance and support from New Jersey's business, nonprofit, labor, and education leaders.**

The Governor should expand partnerships with stakeholders to promote economic development and opportunity, education, and workforce development policies. The Governor will consult with business, education, labor, and community leaders', and local elected officials to improve state economic policy, and partner with these outside organizations to advance programs that will benefit the state residents.

Regular, informal advisory sessions with state business, labor, educational, and community leaders will better inform the governor and his senior advisors. They will also affirm the governor's personal commitment to moving New Jersey forward.

**iii. Recommendation: Improve business outreach and simplify regulations to ensure that businesses are encouraged to start, grow and relocate in New Jersey.**

Discussions with outside stakeholders reveal confusion about the interaction between economic development agencies and private non-profits organizations that promote the state.

The Administration should integrate the work of these various entity to expand the role of the EDA in marketing the state and making New Jersey hospitable to business growth.

The EDA and other state agencies should improve the customer experience for business while also ensuring that they comply with the laws and regulations established through law and regulations.

**II. PRIORITY: GROW NEW JERSEY'S ECONOMY AND KEY SECTORS**

New Jersey's economic development plans have been criticized for their inefficiency and lack of transparency. Currently, there are nearly 30 programs across 13 government agencies. Since 2010, the state has made incentive commitments amounting to \$8 billion—far more than our neighboring states. New Jersey should reorient its economic development strategies toward the most productive and innovative industries and reward companies that invest in our state's people, communities and infrastructure. The State must be proactive in attracting companies to New Jersey, rather than relying on passive and formulaic tax incentives. The State should focus on key industry sectors that form the foundations of the current and future state economy.

New Jersey should also take full advantage of our deep ties with the people and economies of other nations. A fifth of our residents were born outside of the United States, and nearly a third are multilingual. In 2014, 20,467 NJ-based companies produced \$32 billion in exports. Small firms produced 44% of that value. The State should increase efforts to attract foreign investment and connect companies to global markets.

To assess progress in these efforts, the State will monitor employment and completed apprenticeships in key sectors, firm health in key sectors, foreign direct investment, and exports.

**i. Recommendation: Support key industries with targeted initiatives, including sector-based training**

New Jersey should maximize the potential of sectors with high-growth rates and meaningful employment. The following clusters, at a minimum, have been identified under this goal: (1) Logistics, (2) Life Sciences, and (3) Information and Technology and (4), including the Clean Energy sector. This is in part based on McKinsey's *Reseeding Growth in the Garden State* report, which found that New Jersey could grow its GDP by \$150 billion in the next decade if it matched national growth rates. The State should facilitate the growth of these industries and others through infrastructure, research, and education and workforce training programs.

The State should repurpose its “stranded assets” to be project-ready sites for companies in these focus sectors.

The State should expand on the efforts of the recent Research Asset Database (RAD) initiative, which is designed to better inform companies about research at the state’s universities. Additional state support for research and development (R&D) is needed in these fields, and there should be better coordination with university technology transfer offices.

Workforce training also represents a significant opportunity for New Jersey. Companies closely assess states’ labor markets before expanding or locating in a community or state. High-quality education and workforce training—either in the classroom or on the job—creates opportunities for businesses and job applicants. New Jersey should develop more effective sector and occupation-specific workforce development programs, such as apprenticeships and partnerships with institutions of higher education, in priority fields.

**ii. Recommendation: Improve physical infrastructure and reduce congestion**

New Jersey’s road, rail, and urban infrastructure has become drag an economic growth and a source of frustration for commuters. New Jersey’s roads have become synonymous with congestion, and delays on NJ Transit are far too common.

It will take significant time and resources to put us on the path to world-class infrastructure; however, the Murphy administration can take immediate steps to demonstrate its commitment to addressing these problems. Steps for the first six months include:

- Moving toward cashless tolling on the state’s toll roads
- Upgrading the NJ Transit app’s functionality, particularly for buses
- Introducing adaptive traffic control in high-congestion zones
- Launching centralized procurement with strategic sourcing across agencies and municipalities

The administration should also review infrastructure-related public-private partnerships (P3s) in other states (e.g., Virginia), and assess whether to endorse P3 legislation before 2019. These issues will be further discussed in our Transportation and Urban and Regional Growth committee reports.

**iii. Recommendation: Attract foreign direct investment (FDI)**

New Jersey is home to an extraordinarily diverse labor force. The State should form partnerships with countries that have significant ties to our population, and diversify investment sources. Currently France, the United Kingdom, and Switzerland and Canada support the most jobs in New Jersey.

Building on Governor-elect Murphy’s deep experiences in Europe and Asia, the State should pursue investment opportunities from business in those regions as well as Latin and Central America and Israel.

**iv. Recommendation: Assist New Jersey’s businesses with exporting goods and services**

New Jersey should make sure its businesses are connected to the world. The State's export initiatives could be as simple as hiring multilingual residents to assist New Jersey firms with international marketing.

New Jersey should evaluate its current initiatives (e.g., NJ State Trade Expansion Program) and determine if an export development program (or loan fund) is appropriate. The administration should also determine whether the International Business Development and Protocol office should be relocated to the Economic Development Authority.

Export initiatives should not only be seen as a supplement to helping New Jersey's firms compete at home. They should be combined with other initiatives that encourage New Jerseyans to buy local (e.g., Jersey Fresh) and help businesses grow (See economic gardening below).

**v. Recommendation: Review Economic Development Authority (EDA) incentive and loan policies to maximize the State's return on investment and emphasize transparency and fiscal responsibility**

In the past several years New Jersey has paid, on average, more than five times as much as peer states for every dollar of investment it attracted and for every job created or retained.

The State should retain an independent organization to conduct a performance audit of the EDA and related incentive and loan programs and report to the legislature. The State should create a regular process to evaluate the return on investment from its incentive and local programs and strengthen EDA's accountability and transparency provisions. The State should also ensure that incentives are aligned with key sectors.

**III. PRIORITY: GROW NEW JERSEY'S INNOVATION ECONOMY THROUGH PUBLIC, PRIVATE, AND RESEARCH UNIVERSITY PARTNERSHIPS**

Creativity and innovation are deeply rooted in New Jersey's history. Paterson was arguably the site of our country's first economic incubator. New Jersey has been the home of Bell and Sarnoff labs, Thomas Edison and countless inventors. Our state has a highly educated population and significant patent rates. But we should be doing more to realize New Jersey's full potential, including helping residents find employment in advanced industries. We have lower venture capital flows than our peer states, and are currently behind the national average for venture capital-backed investments per capita. Restoring New Jersey's place in the innovation economy requires a coordinated effort between educators, businesses, and improving our housing and transportation options. It also requires ambition. New Jersey has stood by while other states have taken bold steps (e.g., Roosevelt Island, Massachusetts' Life Sciences Initiative). The Murphy administration can change that dynamic. To assess progress, the state will monitor new business starts and survival rates, venture capital-backed investments, and STEM employment.

**i. Recommendation: Expand business incubators**

New Jersey should aim to place at least one significant business and technology incubator in each major urban area and connect one to each institution of higher education. The state could advance these efforts by repurposing vacant government or private sector office space. This initiative should be part of a general movement towards creating accessible spaces for entrepreneurial activities and job training.

This can be done through public private partnerships and administrative action. The Governor should also work with the legislature to facilitate connections between community colleges, job training facilities, and entrepreneurship programs.

**ii. Recommendation: Make 21<sup>st</sup> Century jobs available for all**

Today's high-paying jobs increasingly require technology-based skills. New Jersey should use its federal WIOA dollars, state Workforce Development Partnership Program (WDPP) funds and other education and workforce funding streams to offer accelerated, skills-based classroom training programs and on-the-job training (See Labor and Workforce Development Report).

The State should prioritize areas with high unemployment for these opportunities, and seek to reduce race and gender gaps in the technology sector.

These goals can be achieved through administrative action, and this initiative provides one venue for pay-for-performance contracting.

**iii. Recommendation: Improve cooperation between the government, business, and universities to achieve economic growth**

New Jersey's government should work with its leading universities and businesses to partners in growing New Jersey's economy and improving New Jersey's government. Suggestions include encouraging corporations headquartered here to hire New Jersey college graduates, coordinating the technology transfer offices at our research universities (as mentioned above), and hiring STEM graduates into state government fellowships.

The State could also partner with universities to create apps and other software solutions for government, which could then be commercialized for other public-sector purchasers.

**IV. PRIORITY: INCREASE OPPORTUNITIES FOR BUSINESS OWNERSHIP AND ACCESS TO CAPITAL**

The administration should work to increase all New Jerseyan's wages and improve their work environment. This can be done, in part, by increasing small business ownership. New Jersey has over 800,000 small businesses. There are nearly 253,000 female-owned firms, 64,000 African-American-owned firms, and 93,000 Hispanic-owned firms. While business ownership represents a significant opportunity for residents to contribute to their local economy, many small businesses believe that New Jersey is an unfriendly environment for them. Between 2004 and 2014, the state lost more than 9,500 of its smallest businesses (i.e., less than 10 employees). The Murphy Administration can reverse this trend by improving its services and creating a friendlier business environment.

Access to capital for small businesses is also deeply unequal. A US Department of Commerce report found that minority-owned firms are more than twice as likely to be denied for loans as white-owned firms, and receive smaller loans with higher interest rates when accepted.<sup>1</sup> To assess progress in these efforts, the state will monitor: small businesses (broken out by gender and ethnicity) and growth, diversity in business leadership, and percentage of state procurement to minority and women owned business enterprises (MWBES).

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<sup>1</sup> Minority Business Development Agency's Disparities in Capital Access Report, 2010.



**i. Recommendation: Assist entrepreneurs through programs such as one-stop business development centers and better software<sup>2</sup>**

The State should support business ownership and risk taking through one-stop centers for legal and tax filings. These centers could be run as clinics in our state’s law schools.

The State should also review “economic gardening” programs in other states that help “Stage 2” businesses. It is not enough to promote starting businesses; it is also necessary to support owners as they develop and scale a sustainable enterprise.

Setting up one-stop centers can be done through administrative action and partnerships. Funding for development programs may need legislative appropriations. A study of Florida’s economic gardening program (GrowFL) found that their state invested roughly \$2 million each year, with a return of over \$7 for every dollar invested.

**ii. Recommendation: Appoint a Chief Diversity Officer and modify state procurement policies to assist MWBEs**

The Governor should appoint a Chief Diversity Officer (CDO). Conducting a disparity study should be one of the CDO’s first priorities.

The disparity study should recommend effective strategies for diversifying state procurement. This might include starting a “supply chain matching” website, which allows businesses to connect to local suppliers.

**iii. Recommendation: Conduct a feasibility study on a Public Bank and explore other means to promote local access to capital**

A proposed “Public Bank” in New Jersey—that could potentially offer loans to small businesses, local infrastructure projects, and college students—should be evaluated. The bank would use state deposits to finance local investments and emphasize the importance of making New Jersey’s money work for its residents.

The potential costs and benefits should be assessed in detail and compared to other strategies for improving local lending and streamlining our state’s incentive programs.

**V. PRIORITY: ENSURE INCLUSIVE GROWTH AND ADVANCE ECONOMIC SECURITY FOR ALL NEW JERSEYANS**

Although New Jersey’s growth potential is exciting, it must not be uneven. This administration should work to expand opportunities for all. New Jersey is the country’s seventh worst state for income inequality. Between 1979 and 2013, income for the wealthiest 1% nearly tripled in our state, while income for the other 99% grew by just 20%. Nearly 40% of households can be considered “working poor,” and basic expenses (e.g., education, healthcare, housing, childcare) have increased while wages remain stagnant. The state’s poverty rate has increased two percentage points since 2007 and New Jersey has the nation’s ninth highest supplemental poverty rate. This Administration can impact these trends through inclusive growth and reforming its support for those in need.

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<sup>2</sup> Bots: <https://www.brookings.edu/blog/techtank/2016/06/07/streamlining-government-services-with-bots/>

**i. Recommendation: Endorse legislation to enact a \$15 minimum wage, expand family leave insurance, and establish statewide earned sick leave**

The Governor-elect is committed to a phased-in minimum wage increase, expanding and increasing the usage of family leave insurance, and allowing workers to accrue sick time to use when needed.

Family leave insurance reform should increase the eligibility period and raise the cap on reimbursements. This administration will also improve education and outreach efforts to increase usage of the family leave programs, especially among lower-income caregivers.

For more detail on these and related initiatives to help low and moderate income New Jerseyans, see the Labor and Workforce Development (LWD) transition report.

**ii. Recommendation: Curb gender-based pay disparities**

The National Partnership for Women and Families found that last year, New Jersey women working full-time lost over \$30 billion due to the wage gap. The governor should work with the legislature to enact laws that prohibit pay disparities based on gender discrimination. This may also include legislation that promotes pay transparency and prohibits employers from asking about previous salaries while hiring.

The administration can use administrative action to obtain reports from state contractors to make sure they comply with our equal pay laws.

More details on equal pay initiatives are in the Law and Justice and LWD transition report.

**iii. Recommendation: Promote local hiring to reduce unemployment in our urban areas.**

The State should encourage cities to enact and enforce “first source” ordinances. It should coordinate with anchor institutions to improve their local hiring and retention pipelines. One model is the Newark 2020 campaign, where Mayor Ras Baraka has partnered with private businesses and other organizations to improve models for local hiring and procurement.

The Department of Labor and Workforce Development should ensure that its workforce development training programs are working to reduce unemployment in these areas by preparing individuals for jobs that are in demand and equipping them with credentials that skills that are industry recognized.

**iv. Recommendation: Improve public benefits programs (e.g., unemployment insurance, WorkFirst NJ, SNAP) to increase transitions to family-sustaining employment opportunities**

The State should immediately review its anti-poverty programs and make sure that they effectively connect recipients to employment when possible. This assessment should also examine the ease of enrollment, usefulness of financial assistance and other supports, and connections between state programs.

The State should also reconsider harmful restrictions in their benefits programs and improve its Earned Income Tax Credit (EITC). The EITC helps over 600,000 New Jerseyans each year, but

often does not apply to low-income residents who are not raising children. The administration should consider raising the EITC to 40% of the federal credit and expanding its reach.

Although some changes—such as benefit amount and coverage, require legislation—the State can immediately take administrative actions to improve ease of access and connections between benefit and training programs. Expanding the EITC to 40% and increasing its scope would cost at least \$60 million annually.

**v. Recommendation: Launch the Small Business Retirement Marketplace.**

Today, only about half of New Jerseyans have access to an employer-based retirement plan—a crucial source of savings.

Although a state retirement marketplace was enacted in January 2016, the state has not yet launched this program. This administration should move forward on creating the marketplace website immediately.

**vi. Recommendation: Support working New Jerseyans by meaningfully supporting organized labor and workers**

The following recommendations are discussed in more detail in the LWD report, but are also noted here due to their importance for creating a fairer economy. They include:

- Enforcing employment and wage and hour laws
- Considering replacements for rolled-back federal overtime regulations
- Focusing efforts to protect those in domestic services and other caretaking positions
- Ensure that workers benefit from state contracting and incentive programs through use of prevailing wage rates

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Vivian Cox Fraser  
Luis O. De La Hoz  
Julie Diaz  
Laurence Downes  
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The Governor, Lieutenant Governor, and the entire senior transition team staff greatly appreciate the immense amount of work, participation and expertise that all our co-chairs, committee members and deputy directors who staffed each committee provided since the transition began in November. This hard work and positive energy about how New Jersey can once again become a national leader has resulted in a robust set of recommended priorities and actions for the incoming administration to consider. As with any collaborative endeavor, many recommendations and opinions were expressed and debated during the committee meetings and the drafting of the reports by co-chairs, committee members, and Deputy Directors. The final reports may contain recommendations that do not reflect the concurrence of all co-chairs or committee members, nor of the organizations they represent. These reports are purely advisory and do not reflect the positions of the Governor-elect or any other elected official.



# Report of the Transportation and Infrastructure Transition Advisory Committee

Submitted to Governor-elect Phil Murphy and Lieutenant  
Governor-elect Sheila Oliver

January 1, 2018

## EXECUTIVE SUMMARY

The Transportation and Infrastructure Transition Advisory Committee recommends that the Governor-elect consider the following recommendations to accomplish the top five key priorities:

- I. Priority: Prioritize as a key administration objective the completion of the Gateway Tunnel and new Port Authority Bus Terminal projects**
  - i. Task a senior level individual within the Governor's Office to oversee the status of these projects on a day-to-day basis to signify the significance of these projects and allow for swift and aggressive action as situations arise
  
- II. Priority: Assess financial condition of state transportation agencies, assess their capital and operating needs and resources and produce both a capital needs blueprint and an Action Plan for increasing operating funds to sufficient levels at NJ Transit and NJDOT**
  - i. The Commissioner, in concert with the Treasurer, should be directed to provide, within 100 days:
    - An assessment of each agency's (NJDOT, NJ Transit, NJ Turnpike and the Port Authority of NY & NJ) financial (capital and operating) condition
    - Such an assessment should further determine the sufficiency of capital resources (Transportation Trust Fund, federal and other) expected to be available to meet state-of-good repair and high priority capital project needs; proposals for meeting any insufficiency and producing a cohesive, updated capital needs and resources blueprint, including a financing plan for construction of the Hudson-Bergen Light Rail onto the Northern Branch corridor and a plan for utilization of unused federal highway safety funds
    - Such an assessment should further produce an Action Plan on the operating needs and resources of NJ Transit and NJDOT from the General Fund or otherwise; identification of instability and insufficiency of resources for operations purposes for both NJ Transit and NJDOT, proposals for stabilizing and increasing to sufficient levels the operational resources of both NJ Transit and NJDOT, on a sustained basis
  
- III. Priority: Improve service delivery and the enhancement of service to the public at reduced costs**
  - i. Direct NJ Transit's Executive Director to conduct an evaluation and prepare an Action Plan, within 100 days, concerning the qualifications and performance at the executive and upper management levels and an inventory of vacant positions that have contributed to declines of service to the public
  - ii. Legislation should be pursued that would: 1) provide flexibility for alternate delivery methods by all transportation agencies to be used; 2) strengthen and expand qualifications based selection for professional services procurement; and 3) provide for the use of innovative revenue options by our transportation agencies
  - iii. Provide new leadership for promotion of road and rail safety and efficiency
  
- IV. Priority: Appoint an emergency manager at New Jersey Transit tasked with bolstering the relationship with Amtrak**
  - i. Appoint an emergency manager to oversee the global relationship with Amtrak and to ensure the state's interests are properly addressed
  
- V. Priority: Emphasize transparency to improve customer experience and to demonstrate value of system investments**

- i. Direct all agency websites and apps be rebuilt to emphasize transparency through the creation of a project dashboard, streaming and archiving live proceedings, and providing real time information of public interest
- ii. Implement an electronic data records transfer system to expedite access to crash data across agencies and empower project planners and law enforcement agencies to effectively identify high risk areas and allocate resources effectively
- iii. Revitalize use of the Access Management Code permitting process

## REPORT

### I. **PRIORITY: PRIORITIZE AS A KEY ADMINISTRATION OBJECTIVE THE COMPLETION OF THE GATEWAY TUNNEL AND NEW PORT AUTHORITY BUS TERMINAL PROJECTS.**

- i. **Recommendation: Task a senior level individual within the Governor's Office to oversee the status of these projects on a day-to-day basis to signify the significance of these projects and allow for swift and aggressive action as situations arise**

There is a great need for a senior level person in the Governor's office to be in charge of monitoring developments for the Governor and acting on his behalf regarding the Gateway project. This need has been intensified by the apparent disavowal by the Trump administration of the project's three-way funding plan established under the Obama administration with the state of New Jersey and New York, as evidenced in an official letter from the Federal Transit Administration to Governors Andrew Cuomo and Chris Christie in late December. This response comes despite widespread understanding that a closure of the rail tunnels due to Superstorm Sandy damage, in conjunction with the inability to increase bus service into New York City through the Port Authority Bus Terminal, would be an economic catastrophe that would severely harm the regional economy and the entire Northeast.

These projects – Gateway and expansion of the Port Authority Bus Terminal – will serve as the most significant economic stimulus projects for New Jersey over the next 10 years. The benefits of a new tunnel and an expansion of the Port Authority Bus Terminal are well known, including shorter commute times, increased reliability, less roadway congestion, greenhouse gas emissions reductions, increasing the desirability of transit oriented development, increasing municipal and state tax revenues, and job creation from both the project itself and expansion of the economy.

#### **The Gateway Project**

The Obama administration recognized the importance and the repercussions of allowing trans-Hudson rail crossings to be placed in jeopardy. As a result, the Gateway project became the highest priority rail transit project nationally under President Obama's administration. The federal government committed to funding 50% of the project's costs. Now, the federal share and the use of federal loan funds by the states to satisfy their local share will have to be renegotiated.

This financing setback occurs at a most uncomfortable moment, while the region is in a race against time. The current 107-year-old tunnels suffered severe flooding damage from Superstorm Sandy. Unless engineers are able to begin major rehabilitation work on the current tubes, one or both could fail within the next decade. The closing of just one of those tunnels would cause a reduction in capacity of approximately 75%, with the number of peak hour trains reduced from 24 to six entering New York City.

While Phase 1 of Gateway moves through the environmental process, it is imperative that the entire project, including Phases 1 and 2, presses onward. Phase 1, the completion of the new tunnels followed by the rehabilitation of the existing tubes (a process that will last until at least 2030), will not significantly expand capacity for New Jersey commuters. It will result in going from two tubes to four, but does not result in expansion of platform space or more tracks at Penn Station New York. The completion of Phase 2 of the project, which would include the construction of additional tracks and platforms in New York City will allow for



more trains to operate across the Hudson at the same time. That is why in the long-term, this designated official's responsibility will be to ensure a continued focus on Gateway Phase 2.

### **Expansion of the Port Authority Bus Terminal**

The Port Authority of NY & NJ Board of Commissioners has launched a draft Environmental Impact Study to guide how it can expand capacity for interstate bus traffic. Handling 230,000 riders each weekday, the Bus Terminal is the busiest of all the trans-Hudson public transit facilities. Interstate buses serve many areas of New Jersey and Rockland and Orange (NY) counties that are outside the influence of a commuter rail line.

The Bus Terminal is currently operating at full capacity during peak hours. Several years ago, bus congestion became so severe inside and around the Bus Terminal during the evening peak period that reliability was regularly compromised. After NJ Transit and Port Authority staff put into effect a number of operational changes to restore order temporarily, Port Authority staff instituted a bar on increasing evening peak hour departures. This bar recognized that the growth in usage of the existing facility cannot occur without commensurate investment in new capacity.

Two types of plans are being considered: the construction of a new terminal between Ninth and Eleventh Avenue south of W.40<sup>th</sup> Street (further from the current convenient subway connections) and a novel plan to expand bus operations to two new floors built on top of the terminal's current footprint. The planning process has been subjected to opposition from neighbors of the terminal. The State of New York has been resistant to setting aside large outlays for this project in the Port Authority's long-range capital budget.

The senior level administration official tasked with this job would have the full authority to engage with New York State, the Port Authority, New York City and, in the case of Gateway, the federal government, Amtrak, and the Gateway Program Development Corporation. Responsibilities would include making sure milestones are achieved, monitoring real-time funding conditions, developing recommendations to restructure funding approaches, ensuring New Jersey's planning needs are being met, and being in a position to brief the governor daily on any changing conditions. In light of challenging funding signals being sent by the Trump administration, the restructuring of funding arrangements will, initially, be the most critical for this senior level administration official. Engaging the congressional delegation for its support, so New Jersey speaks with one voice, will be important as well.

The ultimate goal of this recommendation is to provide the Governor with the information and tools to see these projects to completion. A major part of carrying out that objective will be the direct engagement of the Governor both publicly and privately to demonstrate that the completion of these projects is an administration priority.

In addition to the senior level official focusing on these projects daily and the governor's direct involvement, further steps will be required for this to be a success.

The State should consider an educational campaign for both Gateway and the Bus Terminal projects, by engaging the public and stakeholders on both sides of the river laying out the dire funding issues surrounding the projects, the economic importance to both states, and the perilous safety condition of the current tunnel. A campaign can show the potential decline in productivity of the businesses in New York, when their employees can no longer commute there, or the reduced revenues that will be seen without the foot traffic of New Jerseyans around New York City.

The hard costs for each project themselves are substantial. Gateway, phases 1 and 2, are estimated to cost upwards of \$30 billion. Phase 1, the immediate focus, is estimated to cost \$12.7 billion. In late 2016 Senators Booker and Schumer arranged a funding framework for the project by which the federal government would pay 50% of the total project and the states of New Jersey and New York would each contribute 25% each. In late 2017, proposals were announced by Governors Christie and Cuomo, detailing how their respective states would fund their portions of phase 1 under the Obama administration approved structure. Governor Christie offered that New Jersey would begin charging a fee on rail trips in and out of New York that would escalate over time to cover \$1.9 billion in funding, while New York will use general fund allocations over a 35-year span to cover \$1.75 billion in borrowed funding. These funds, in addition to the Port Authority contributing \$1.9 billion, total \$5.5 billion for the project, leaving the remaining amount to be funded by federal dollars. As noted above, the Trump administration has officially rejected this funding plan denying that any agreement exists.

The cost of the new Port Authority Bus Terminal has varied widely as building concepts have evolved. Further detail on cost estimates will be forthcoming from the Draft Environmental Impact Study. Currently, the Port Authority of New York and Jersey's 10-year Capital Plan has committed \$3.5 billion to the project, of which \$0.5 million are proposed to be obtained from a federal grant.

## **II. PRIORITY: ASSESS FINANCIAL CONDITION OF STATE TRANSPORTATION AGENCIES, ASSESS THEIR CAPITAL AND OPERATING NEEDS AND RESOURCES AND PRODUCE BOTH A CAPITAL NEEDS BLUEPRINT AND AN ACTION PLAN FOR INCREASING OPERATING FUNDS TO SUFFICIENT LEVELS AT NJ TRANSIT AND NJDOT**

- i. Recommendation: The Department of Transportation Commissioner, in concert with the Treasurer, should be directed to provide, within 100 days:**
- An assessment of each agency's (NJDOT, NJ Transit, NJ Turnpike and the Port Authority of NY & NJ) financial (capital and operating) condition;
  - Such an assessment should further determine the sufficiency of capital resources (Transportation Trust Fund, federal and other) expected to be available to meet state-of-good repair and high priority capital project needs; proposals for meeting any insufficiency and producing a cohesive, updated capital needs and resources blueprint, including a financing plan for construction of the Hudson-Bergen Light Rail onto the Northern Branch corridor and a plan for utilization of unused federal highway safety funds;
  - Such an assessment should further produce an Action Plan on the operating needs and resources of NJ Transit and NJDOT from the General Fund or otherwise; identification of instability and insufficiency of resources for operations purposes for both NJ Transit and NJDOT, proposals for stabilizing and increasing to sufficient levels the operational resources of both NJ Transit and NJDOT, on a sustained basis.

Two of the greatest transportation challenges confronting Governor-elect Murphy are meeting expectations for long-deferred capital projects with limited financial resources and finding a way to stabilize the funding of NJ Transit's annual operating budget. Sorting out these issues early in the administration will provide the public with an honest assessment of what can be done and the administration's new transportation leadership with a realistic pathway forward.

From 2010 forward, the state's Transportation Trust Fund was functioning at a reduced level, resulting in many larger projects being held back from implementation. Legislation passed last

fall, increased the size of the State's contribution to its annual transportation capital program from \$1.3 billion to \$2 billion per year. However, funding for all the state's transportation needs cannot be met by this amount. Approximately seven cents of the 23-cent gas tax increase are dedicated to paying debt service accumulated since 2010 on bonds issued by the Trust Fund that were not backed by a revenue stream. The Trust Fund annual amount set aside for local aid projects has been doubled, further hampering funding for public transit. And projects that could grow our public transit system are vying for limited funds with state-of-good repair needs across the state's highway and transit systems.

A priority "New Start" project for the next administration would be the extension of the Hudson-Bergen Light Rail Line onto the Northern Branch Corridor in Bergen County. Also in the queue are the Glassboro-to-Camden diesel light rail line; the Hudson-Bergen Light Rail West Side Line extension over Route 440 in Jersey City; the Mid-Line Loop to serve a new North Brunswick station on the Northeast Corridor; and two long-standing Raritan Valley Line projects, the Hunter interlocking overpass and a third track for the Aldene to Hunter segment. Under the best of circumstances, it is doubtful the Transportation Trust Fund, augmented by federal funds, can realize many of these promising projects without new revenue sources.

Over-arching this competition are two potential threats being posed by the Trump administration. The first is its apparent disavowal of the Gateway project funding principles and structure negotiated by the states of New Jersey and New York with the Obama administration. The outcome of this revision process could force New Jersey to use unknown amounts of Transportation Trust Fund dollars to plug urgent gaps in Gateway project financing. The second threat is the Trump administration's stated intent to terminate the "New Starts" capital assistance program on which proponents of the Northern Branch light rail project were counting. At this point, it is unknown whether any "infrastructure" initiative advanced by the Trump administration will be enacted, and, if it is, whether it will benefit New Jersey's capital agenda, directly or indirectly.

### **Operating budget**

In recent years the operating budgets of NJ Transit and NJ DOT have been seriously squeezed. In the last decade, NJ Transit drew as much as \$350 million from the State's General Fund. In fiscal year 2016, that amount was reduced by more than 90%.

Sharp cutbacks have taken a toll on each agency's staff. At NJ Transit, numerous highly qualified personnel have departed for other transit agencies which have been able to offer higher salaries. Maintenance of rolling stock has also suffered; NJ Transit's average distance between rail rolling stock failures lags its peers. At NJ DOT, staff shortages have occurred and permanent positions have been left vacant due to salary compression. Employees have been denied professional development opportunities and even had their voicemail services removed.

In both cases, techniques have been used to transfer federal capital funds into operating purposes. An obvious case is the approximately \$300 million dollars in federal transit rehabilitation funds that annually have been used for "preventive maintenance" purposes that are officially accounted for as "operating" expenses. Similarly, the federal highway capital program is raided for activities such as cleaning of drainage systems.

As NJ Transit has lost ground in the annual competition for access to the General Fund, its funding has become less stable. For a number of years it benefited from an annual transfer of \$295 million from Turnpike Authority revenues. For the past two years that number has shrunk to \$204 million per year, as the Turnpike Authority leadership deemed it could not afford the previous high contribution level. Similarly, amounts of \$62 million and \$82 million have been

diverted from the Clean Energy Fund to the NJ Transit operating budget. With respect to these two external revenue sources, NJ Transit managers cannot anticipate from year to year what their contribution might be to the NJ Transit operating budget.

The proposed assessment should result in an Action Plan which addresses budget shortfalls and innovative ways to finance transportation needs in the state.

### **III. PRIORITY: IMPROVE SERVICE DELIVERY AND THE ENHANCEMENT OF SERVICE TO THE PUBLIC AT REDUCED COSTS**

- i. **Recommendation: Direct NJ Transit's Executive Director to conduct an evaluation and prepare an Action Plan, within 100 days, concerning the qualifications and performance at the executive and upper management levels and an inventory of vacant positions that have contributed to declines of service to the public**

For many years since its founding in 1979, NJ Transit served as a model public transit agency, winning numerous awards by transit's national trade association and serving as a training ground for transit executives throughout the nation. Its personnel and financial treatment at the hands of the Christie administration has led to canceled trains, equipment failures, safety citations, a fatal train accident, loss of dozens of experienced supervisory personnel, and locomotive engineers, and low employee morale.

A recent NorthJersey.com article documented a pattern of NJ Transit hiring of persons since 2014 at high salaries who did not appear qualified for their positions.

After the issuance of federal rail safety citations and the September 2016 crash at Hoboken Terminal, NJ Transit's Executive Director acknowledged that numbers of authorized safety inspector positions were vacant. This year, trains were canceled as a dispute raged between NJ Transit management and the Brotherhood of Locomotive Engineers about the adequacy of locomotive engineer rosters and of the engineer's training program. Meanwhile, it has been reported that NJ Transit lost train engineers to MTA's Metro North Railroad, because Metro North is able to pay higher wages.

The Governor-elect should order an intensive review of staff qualifications, performance, and salaries among those serving at NJ Transit's executive and upper management levels. It will also examine staff vacancies and report on steps being taken to fill them.

- ii. **Recommendation: Endorse legislation to: 1) provide flexibility for alternate delivery methods by all transportation agencies to be used; 2) strengthen and expand qualifications based selection for professional services procurement; and 3) provide for the use of innovative revenue options by our transportation agencies**

The transportation and infrastructure needs of the state are growing at a time when budget dollars are constrained. If New Jersey desires a world-class transportation system, then we must provide the agencies with the tools necessary to reduce costs, generate revenue, and efficiently start and complete projects. The delivery of transportation services is not a one-size-fits-all undertaking. Projects come in different sizes, with different challenges, stakeholders, and available resources. This is why we must allow our agencies to have every possible option to execute their mandates.

The State must enable its transportation agencies to use innovative and effective methods to get large scale projects started and reduce long term costs. Large scale projects across the country are being built under alternative contract forms that have expedited construction and

reduced costs. Other methods being used successfully in the country are projects taking place under public-private-partnership agreements. There are too many projects that need funding and there is underutilized private capital available that could fill this need. Jumpstarting projects through this method, and others, means more economic activity taking place, more jobs, and delivering on services the public desires.

We must also begin to look at the long-term costs of projects. Too often, to save money in the short-term, contracts are awarded without significant regard to qualification and expertise. While this may mean a lower price today, it routinely means higher costs tomorrow through increased claims, change orders, and construction delays. This should be addressed through legislation strengthening qualifications-based selection for professional services procurement.

A fact of service delivery is that one must have the funding resources to provide it. All across the state, public investment in transportation infrastructure has created direct and measurable benefits for the private sector. Currently, the Municipal Land Use Law constrains the ability to account for these public investments that others are using to generate vast revenues. The Municipal Land Use Law should be reviewed to permit flexibility to the state and municipalities to explore alternate revenue sources from entities directly benefitting from the investments made to the transportation system. This would not only help the state and municipalities pay for necessary projects but would also assist in maintaining a state-of-good-repair on transportation infrastructure that will help increase home and land values and further sustain the benefits to the private entities long term as well.

Value capture financing is another tool that should be explored to support public and private investment in transportation infrastructure. The State, either through legislation or working directly with the private sector, would require a payment in return for the value that the publicly financed transportation infrastructure investment is generating for the private entity. Another potential area to explore, in the same vein as value capture financing and seldom used in New Jersey, would be to engage municipalities in tax incremental financing plans. These agreements must be done carefully and protect all involved, however, they can play a role in getting dormant projects started and completed. The anticipated increase in property values and increased tax collections over a predetermined amount of time would have a portion placed into a dedicated fund, which would then be used to fund the project.

Providing new tools are just part of the answer. An emphasis must also be placed on abilities the agencies do have, and can control right now, but have not fully capitalized on. New Jersey Transit has some of the most valuable real estate and air rights in New Jersey, and a captive audience of thousands at some of its stations each day. An aggressive plan should be put in place to make sure the agency is maximizing potential concession and advertising agreements and is using their land efficiently in conjunction with municipalities and developers to increase revenue.

iii. **Recommendation: Provide new leadership for promotion of road and rail safety and efficiency**

Enhancement of service to the public is also the ability to provide for the safety and wellbeing of the state's residents across all modes of transportation. Filling the position of Director of Highway Traffic Safety will enable the state to implement proven behavioral counter measures in support of the Zero Fatalities goal. Additionally, New Jersey gave back approximately \$20 million in federal safety infrastructure funding this past year, due to a lack of prioritization and coordination in establishing projects for its use. This is lost money the state cannot afford to give away. The commissioner should task a senior level individual with

overseeing this program to make sure the funds are used and necessary projects are undertaken, and no funding is left on the table.

Another focus for the leadership of NJ Transit must be the deployment of positive train control technology throughout New Jersey Transit's system. This technology has been mandated by Congress and all the states must have it fully installed by December 31, 2018. According to a recent report, New Jersey Transit has equipped just 25 of its 440 railcars for the technology, installed 24 of its 124 towers that need it, and have provided training to 137 of its 1,100 employees that need it. To date, none of the 326 miles of track under its control have the system in operation. Failure to meet the deadline, and in the absence of a second federal extension, New Jersey Transit faces fines of up to \$25,000 per day for each violation.

Another technology that deserves executive attention is the expanded deployment of adaptive traffic signaling. Its deployment in urban centers and critical corridors would improve congestion and reduce commuting times.

Implementation will require outreach to the legislature and engagement with municipalities and other key stakeholders who fear changes to the status quo. Part of this engagement must be illustrating how these changes will produce more projects being undertaken system wide and increase the value of assets for all parties involved.

Costs: The costs associated with most of these recommendations are minimal and have the potential to provide long term savings. Opening up potential new revenue streams will further reduce costs associated with these recommendations and others throughout the report. A potential high cost to the state will be the fines New Jersey Transit must pay if the agency does not meet the deadline to install the positive train control system.

#### **IV. PRIORITY: APPOINT AN EMERGENCY MANAGER AT NEW JERSEY TRANSIT TASKED WITH BOLSTERING THE RELATIONSHIP WITH AMTRAK**

##### **i. Recommendation: Appoint an emergency manager to oversee the global relationship with Amtrak and to ensure the state's interests are properly addressed**

New Jersey leases the right to operate on Amtrak's tracks. Part of this lease is the expectation that Amtrak will keep their system in a state-of-good-repair. However, often New Jersey Transit and its 200,000 daily commuters suffer from delays caused by Amtrak.

The emergency manager would be charged with several negotiable aspects to the New Jersey Transit – Amtrak relationship.

First, New Jersey Transit is withholding \$120 million in lease payments for Amtrak's failure to keep the system at an acceptable level. The emergency manager will need to put a plan in place outlining the conditions that need to be met by Amtrak before the \$120 million is transferred over to them. Furthermore, as part of future payments, additional measurable performance objectives should be created that Amtrak must meet to receive payments.

Second, the emergency manager would work with Amtrak on day-to-day operations, safety programs, and cost responsibilities.

Third, the emergency manager would determine where the cost allocations in New Jersey Transit's Northeast Corridor agreement with Amtrak should be revisited. In addition, the emergency manager would engage Amtrak to work towards an arrangement to allow New

Jersey Transit to have a broader role in management of the Northeast Corridor, including Penn Station, New York.

Lastly, in conjunction with the Governor, the emergency manager would reengage the transit agencies from the states along the Northeast Corridor line to initiate a working group that would combine the advocacy powers of the states to press Amtrak for system improvements.

To implement this, an individual with a deep knowledge of New Jersey Transit and its symbiotic relationship with Amtrak will need to be identified and empowered to carry out the needed objectives of the emergency manager. It may be best for the executive director of NJ Transit to assume the proposed emergency manager's responsibilities as well.

Costs: There will be a cost when New Jersey Transit eventually pays Amtrak the owed \$120 million. Hopefully, the emergency manager will ultimately improve customer delivery and service and create long-term savings through the greater role New Jersey Transit would have in planning and operations of the Northeast Corridor line.

**V. PRIORITY: EMPHASIZE TRANSPARENCY TO IMPROVE CUSTOMER EXPERIENCE AND TO DEMONSTRATE VALUE OF SYSTEM INVESTMENTS**

- i. Recommendation: Direct all agency websites and apps be rebuilt to emphasize transparency through streaming and archiving live proceedings, the creation of a project dashboard, and providing real time information of public interest.**

The increase in transparency of agency websites and apps will lead to increased accountability and eventually a greater trust among the public that their tax and fare dollars are being spent wisely to bolster the system.

Too often, major decisions take place behind closed doors and even when agency boards do meet in public, those meetings tend to be difficult for the average citizen to attend. The improvements should enable citizens to live stream all board meetings and access archived hearings as well.

In addition to the streaming and archiving of board meetings, the public deserves to know where their dollars are going. The most visible sign to residents of improvements in the transportation system are the various projects around the state that they know they are funding. A project dashboard should be created to allow easy access to project information such as the scope of each project, the amount of money allocated, construction timelines and delays, and real-time expenditures that have taken place on the project. The project dashboard would provide a forum for the state to build trust and accountability with the public. The public knows the fares, tolls and taxes they pay for the system and this will provide a detailed look into what they are getting for it.

Building trust with the public will also entail providing information that customers of the system need to plan their commutes. Upgrades should include the ability for customers to easily access route specific on-time performance for all transit routes, real-time transit and traffic incidents and delays, and safety data detailing crash and fatality information, by route, for all modes of transportation.

- ii. Recommendation: Implement an electronic data records transfer system to expedite access to crash data across agencies and empower project planners and law enforcement agencies to effectively identify high risk areas and allocate resources effectively.**

The State will need to take further steps to provide some of the information the public deserves to know. Implementation of an electronic records data transfer system will enable incident reports to seamlessly be transferred across agencies and uploaded for the public. This information is not only helpful to customers to plan their day, but also this system would be able to detail improvements that have been made to high risk locations by the data comparison that can easily be carried out after safety infrastructure improvements take place and reallocation of law enforcement resources have been applied.

The State will need to take steps to review the Department of Transportation's relationship with the Office of Information Technology and require that a greater focus is placed on the Department's systems. Additionally, New Jersey can review how other states are already offering these services and use their experiences as a guide on upgrading the systems. Finally, the state should take steps to revitalize use of the Access Management Code permitting process.

Costs: There will be costs to pursuing these recommendations as there are with any technology overhaul.



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The Governor, Lieutenant Governor, and the entire senior transition team staff greatly appreciate the immense amount of work, participation and expertise that all our co-chairs, committee members and deputy directors who staffed each committee provided since the transition began in November. This hard work and positive energy about how New Jersey can once again become a national leader has resulted in a robust set of recommended priorities and actions for the incoming administration to consider. As with any collaborative endeavor, many recommendations and opinions were expressed and debated during the committee meetings and the drafting of the reports by co-chairs, committee members, and Deputy Directors. The final reports may contain recommendations that do not reflect the concurrence of all co-chairs or committee members, nor of the organizations they represent. These reports are purely advisory and do not reflect the positions of the Governor-elect or any other elected official.



Report of the  
Urban and Regional Growth  
Transition Advisory Committee

Submitted to Governor-elect Phil Murphy and Lieutenant  
Governor-elect Sheila Oliver

January 1, 2018

## EXECUTIVE SUMMARY

The Urban and Regional Growth Transition Advisory Committee proposes that the Governor-elect consider the following recommendations to accomplish these priorities:

- I. Priority: Strengthen the state’s commitment to strategic and equitable growth by leveraging our assets and providing technical and financial resources for municipalities across the state**
  - i. Direct the Department of Community Affairs to conduct a best practices study in order to modernize downtown redevelopment and support services and provide guidance on shared services, regionalization, and other efficiencies to assist municipalities in reducing spending and stabilizing property taxes
  - ii. Restore an emphasis on community-oriented work and land use planning and development at both New Jersey Transit and NJ DOT to assure that transportation investments are multi-modal and will result in environmentally sustainable, equitable, healthy communities
  - iii. Begin a thorough, data-intensive study of the state’s bus transit system to identify potential bus rapid transit improvements to ensure accessible and affordable transportation is connected to jobs, health services, retail, and other amenities
  - iv. Support historic tax credit legislation as a means to encourage redevelopment
  - v. Establish a transit-oriented development specialty area within NJ Transit that will pro-actively work with developers and municipalities to redevelop areas around train stations.
  - vi. Create an inventory of the state’s most important infrastructure needs and prioritize investments and financing strategies, including public-private partnerships
  
- II. Priority: Develop dynamic state planning strategies and strengthen data collection efforts to ensure sustainable economic growth for all populations across the state**
  - i. Issue an executive order to develop a state strategic growth plan that will coordinate state investments, incentives and policies and will provide direction and assistance for municipal leaders
  - ii. Direct NJ EDA to carefully track the progress of awarded subsidies
  - iii. Issue an executive order to enact a Census Complete Count initiative to benefit 2020 Census
  - iv. Recognize and support the state’s arts, culture, and heritage to promote economic development, job opportunities, and increased quality of life for our residents
  
- III. Priority: Grow the economy and create local job opportunities by leveraging anchor institutions and strengthening small businesses, particularly small, minority, and women-owned business enterprises (SMWBEs)**
  - i. Direct NJ EDA to explore partnership with CDFIs in order to address scale urban development issues and extend opportunity to S/MWBEs
  - ii. Develop a local hiring and procurement plan for anchor institutions and corporate partners
  - iii. Identify and take steps to remedy disparities in the contracting and hiring of MWBEs
  - iv. Expand the Small Business Set-Aside program to better include SMWBEs
  
- IV. Priority: Bolster the resiliency of communities throughout the state by implementing science-based climate risk analysis into decision-making at all levels of government**
  - i. Integrate sea-level rise projections into all land use and transportation planning and economic development decision making
  - ii. Align state programs and incentives to discourage development in high-risk flood zones and create an Office of Resiliency
  - iii. Prepare for the next big storm through a “table-top” disaster preparedness exercise and consideration of financial risk instruments for coastal areas

## REPORT

New Jersey has experienced uneven and inconsistent growth in its urban and regional centers over the past decade. The Great Recession muted the potential for economic and commercial development in many cities and communities, but having a clear, coordinated, and consistent response at the state level could have made growth and prosperity more widespread and equitable. The next administration has the opportunity to maximize the potential of our cities and regional centers by making smart, coordinated investments in infrastructure and expanding access to capital for small businesses.

Successful urban and regional growth requires that the State return to adequate planning practices that will put New Jersey in the best position to be the economy of the future. The importance of developing our transportation infrastructure – rail, highway, bike and pedestrian – can't be underestimated, and directing redevelopment to meet the needs of New Jerseyans is central to meeting Governor-elect Murphy's goal of creating a stronger economy that works for all. While economic growth and development necessitates the investment of capital and resources, there are many significant improvements to be made throughout state government that can be achieved through programmatic, administrative, and legislative changes. The Governor-elect has expressed a commitment to ensuring that economic growth reaches every corner and constituency of the state. The following recommendations are presented to achieve that commitment in a manner that is both sustainable and equitable.

### **I. PRIORITY: STRENGTHEN THE STATE'S COMMITMENT TO STRATEGIC AND EQUITABLE GROWTH, LEVERAGE OUR ASSETS, AND PROVIDE TECHNICAL AND FINANCIAL RESOURCES FOR MUNICIPALITIES ACROSS THE STATE**

#### **i. Recommendation: Direct the Department of Community Affairs to conduct a best practices study to modernize downtown redevelopment and support services and provide guidance on shared services, regionalization, and other efficiencies to assist municipalities in reducing spending and stabilizing property taxes**

With 565 municipalities, 21 counties, and 731 fire districts, it is prudent for communities to pursue shared services and regionalization to increase effectiveness and efficiency in procurement and purchasing, service delivery, infrastructure maintenance, implementation of new technologies, and other operations. In the first six months of the new administration, the Department of Community Affairs Clear should study and then provide guidance and technical assistance to municipalities on how to better serve their constituents, reduce operational costs, and ultimately stabilize local property taxes.

As part of their review, DCA should also examine best practices in delivering targeted downtown redevelopment and growth to support municipalities. Programs such as Main Street New Jersey and the Urban Enterprise Zone were originally created to revitalize our communities and stimulate job growth. Elected officials in the areas that have previously employed the Main Street New Jersey and UEZ programs, state that they were tools for maintaining and improving economic activity in their communities. With new interest and growth potential in our cities and downtowns, DCA must study other states and metropolitan areas for the most effective and innovative policies and programs that can grow our communities.

Costs: Minimal to negligible. Can be achieved with current departmental resources.

#### **ii. Recommendation: Restore an emphasis on community-oriented work and land use planning in both New Jersey Transit and NJ DOT to assure that transportation investments are multi-modal and will result in environmentally sustainable, equitable, healthy communities**

For many years, the NJ Department of Transportation was the largest source of integrated land use planning in the state. The level of planning expertise and capacity positioned DOT to help governments at all levels solve a wide spectrum of problems. In recent years, the agencies have faced budget constraints at the same time that there have been increasing demands on our transportation system. The emphasis on vehicle mobility – getting people and goods by cars and trucks from Point A to Point B – has overshadowed efforts to ensure more people have access to job opportunities through public transportation, walking or biking, or promoting non-highway modes of transportation, in order to relieve congestion and reduce greenhouse gas emissions. For example, NJDOT’s bike and pedestrian program coordinator’s office and the Complete Streets program should have equal influence as other departments and programs.

By prioritizing staff development in these areas of expertise and collaborating with other agencies, including NJ Transit, DEP, EDA and DCA, DOT can become: (1) a source of expert knowledge for mayors, towns, stakeholders, and others; (2) a center for research and innovation in technology and planning methods; and (3) a model of a continuously improving, performance management oriented organization.

The next administration can begin by working to professionalize the workforce at NJ DOT and NJ Transit and depoliticize both hiring and project spending. Other states have initiated agency reform by setting a series of guiding principles and policies for all transportation spending that seek to reduce costs through selecting projects that support communities’ land use needs and the state’s overall land use and transportation goals. Establishing a competitive scoring system allows projects to get started more quickly due to local and state level buy-in, and therefore saves taxpayer dollars. For example, Virginia now scores proposals on a combination of the following objectives: safety, congestion mitigation, accessibility, land use, environmental, and economic development.

New Jersey Transit and NJ DOT should work with the states’ other agencies, including DCA, DOH, DHS, and the EDA to create a funding process that incorporates local and state goals and objectives, in order to get the most effect from limited dollars. This can be accomplished through administrative action with limited budget impact.

**iii. Recommendation: Begin a thorough, data-intensive study of the state’s bus transit system to identify potential bus rapid transit improvements to ensure accessible and affordable transportation connects people to jobs, health services, retail, and other amenities**

More than 250 million trips are taken aboard New Jersey’s buses annually, although ridership in the state and nationally has been in decline in recent years. The state’s transportation system is a key asset to boosting economic growth, and developing and maintaining an efficient and modern transit system must include a strategy to stabilize bus ridership and make it a more sustainable connector to economic opportunity for more New Jerseyans.

As urban areas have begun to see redevelopment and reinvestment, local transportation systems have not kept pace. Our state’s street planning is car-oriented, which has often meant walking and biking can be difficult or unsafe, and limited or inferior bus service. To support the viability of our walkable downtowns and urban areas, NJ Transit and NJ DOT should immediately initiate a study into our current bus system and look for ways to improve access, including opportunities for bus rapid transit (BRT).

Recently, cities such as Houston and Columbus, OH, have made strides in revamping their bus strategies through BRT, which attempts to mimic the benefits of rail service at a much lower cost. The most effective BRT systems often necessitate the taking away of car lanes and giving buses

exclusive lanes, which is not without controversy, but results in faster and more efficient bus service and increased bus ridership, as well as fewer cars on the road and less congestion. The NJ DOT and NJ Transit should partner with the state's academic institutions and other national and state non-profits who can help to jumpstart the study.

Costs: A study and planning effort will likely cost several million dollars. Upgrading our bus transit will take significant political and capital investment, likely in the hundreds of millions. Other states and large metropolitan areas have leveraged federal grants to fund transit studies and subsequent infrastructure improvements, and also used public-private partnerships and tax increment financing to help spur their BRT system transformations.

**iv. Recommendation: Support legislation allowing historic tax credit incentives**

Thirty-four states have a historic preservation tax credit. New Jersey is missing out on a proven tool for economic growth and revitalization. Between 1978 and 2015, the National Park Service's federal Historic Tax Credit for income-producing buildings led to \$28.1 billion in federal tax receipts, a significant net gain over the \$23.1 billion in allocated credits. States that have their own historic preservation tax credits see similarly strong returns on investment at the local level. The next administration should consider supporting historic tax credit legislation to spur redevelopment, particularly in the state's distressed communities.

Costs: National research and studies in other states have shown that the loss of immediate tax revenue from the tax credit is generally made up through revenues from increased property values and income taxes from job growth due to revitalization. Further, loss of tax revenue can be limited in a number of ways, including setting an annual cap on credits distributed; limiting the tax credit to types of buildings, such as commercial and income-producing residential structures; or to targeting the tax credit to economically distressed areas or downtown areas designated for redevelopment.

**v. Recommendation: Establish a transit-oriented development specialty area within NJ Transit that will pro-actively work with developers and municipalities to redevelop areas around train stations**

One of New Jersey's most valuable assets is its public transportation system, one of the most extensive transit systems in the nation. The rate of transit commuting in New Jersey is 11%, the third highest in the country, behind New York and Washington, DC. National studies have shown that about one-fourth of all housing demand over the next several decades will be for homes and apartments within a half mile of rail transit stations. The increased market demand for transit-oriented development, or the development of retail, office space, and housing within walking or biking distance to a transit hub, is largely in response to a number of conditions, including climate change, road congestion, shrinking household sizes, proclivity for urban living, and a desire to live in walkable neighborhoods. Demand is further reflected by the prevalence of higher rents and land values close to transit across the country.

By working to expand transit-oriented development (TOD) around New Jersey's train stations, the state could potentially recognize revenue streams to support transit operations, while increasing access to public transportation and economic opportunities for more New Jerseyans. NJ Transit owns a significant amount of real estate around existing transit stations, including surface parking lots. The State can work with host municipalities for redevelopment and has the power to enter public-private partnerships to develop these sites. Further, the State can initiate local value-capture mechanisms, such as special improvement districts and tax increment

financing, to help bring in revenues to fund NJ Transit operations and investments in local infrastructure.

Costs: Initial costs to hire professionals to staff a robust department could be offset by removing political appointees. Over the long-term, transit-oriented development could bring in revenues to fund transit operations.

**vi. Recommendation: Create an inventory of the State’s most important infrastructure needs and prioritize investments and financing strategies, including public-private partnerships**

In the first 100 days, Governor Murphy should direct a review and inventory of the state’s paramount infrastructure needs in order to protect public health, increase our communities’ resiliency, support and ensure our ability to grow the state’s economy. The review could be led by DCA, in coordination with other state agencies, including the DEP, DOT, BPU, NJ Transit, the Turnpike Authority, Treasury, and the New Jersey Environmental Infrastructure Trust. In addition, the agencies should report out the current tools that the state has to finance these needs, and to identify other potential investment resources.

New Jersey has a number of significant infrastructure needs, including deteriorating drinking water and sewer systems, failing dams, crumbling roads and bridges, and a rail transit system desperately in need of upgrades. Besides high profile projects like the Gateway Tunnel and the Port Authority Bus Terminal, many towns and cities are struggling to deal with local water main breaks, combined-sewer overflow systems that allow wastewater to pollute our waterways, old lead pipes that contaminate our drinking water, and roads and bridges that could become unsafe. Additionally, a number of cities around the country are partnering with the private sector to introduce high-speed internet to support technology businesses.

It is essential that the state understand its infrastructure needs in a more holistic way. Improvement projects can incorporate several infrastructure issues at once. For example, when a road needs to be improved, other infrastructure needs, such as drinking or wastewater systems, could be upgraded at the same time. Also, innovative tools and policies such as “Green Streets” can address flooding and stormwater runoff and make streets safer for pedestrians and increase local property values.

Besides identifying current state resources that municipalities can utilize to pay for necessary infrastructure projects, the review should look at innovative ways other states and cities are paying for fundamental infrastructure needs, including stormwater utilities, local infrastructure trust funds, public-private partnerships, resiliency and environmental impact bonds, and more flexible ways to procure services.

Costs: The review and inventory could be performed by current staff.

**II. PRIORITY: DEVELOP DYNAMIC PLANNING STRATEGIES AND DATA COLLECTION TO ENSURE SUSTAINABLE ECONOMIC GROWTH FOR ALL POPULATIONS ACROSS THE STATE**

**i. Recommendation: Issue an executive order to develop a state strategic growth plan that will coordinate state investments, incentives, and policies and will provide direction and assistance for municipal leaders**

The state is currently not using, or internally enforcing, a regional growth strategy and has not supported municipalities to collaborate in pursuit of more coordinated and effective development. There needs to be a statewide vision on how development should occur at the regional level so that state departments can align policies, investments, and incentives to

achieve efficiencies and produce better outcomes and localities have direction to operate in a way that contributes to larger priorities while addressing their own needs.

The Governor can issue an executive order to create a state strategic growth plan that could be completed in the first 6 months, tasked with coordinating initiatives, including—but not limited to—investments and policies related to economic development, infrastructure, redevelopment, and adaptation to climate change. This effort should avoid the approach taken in 2001 that attempted to achieve cross-acceptance, a goal that proved time-consuming, complicated, and expensive. It should aim to be an evolving set of guiding principles for equitable growth.

The approach taken for the latest State Strategic Plan was a more successful and streamlined process that outlined goals, identified areas for growth, and how to achieve that growth. The latest plan, which was never officially adopted, could be used as a starting point. The next planning process should be both more ambitious and less specific than the land-use plans of the past and should be an evolving process. The process should measure and communicate successes, as well as acknowledge where there is room for improvement and where adjustments need to be made.

Preliminary steps could include filling the open seats on the State Planning Commission with committed, proficient, and diverse members and convening regular, transparent meetings. Then, assembling a team to complete the state strategic growth plan.

To complement this strategic approach, the governor should announce the creation of a StateStat type of initiative to set cross-cutting success measures for departments, track progress, and add accountability and transparency to growth initiatives. Similar programs have been successful in Maryland and Iowa.

Costs: Minimal cost to create a state strategic plan. Could be accomplished through currently available resources. A StateStat program would require additional and re-assigned staff and could cost approximately \$500,000 annually.

**ii. Recommendation: Direct NJ EDA to carefully track the progress of awarded subsidies**

Current incentive programs at the NJ EDA provide very large incentives without sufficient review of whether the scale of incentives is necessary to achieve the desired outcomes and whether adequate controls are in place to hold recipients accountable.

In January 2017, the Office of the State Auditor within the Office of Legislative Services released a five-plus year audit of selected incentive programs at the New Jersey Economic Development Authority. The audit found that while “adequate controls” were in place, it discovered too many instances where the authority did not properly evaluate or execute its incentive programs or hold award recipients accountable for failing to meet contractually agreed upon metrics.

By law, New Jersey is to complete a “comprehensive review and analysis” of EDA incentives by July 2018; however, this is a required one-time analysis and not a regular evaluation. The State should direct the authority to undergo such analysis with regularity. Legislation passed in 2007 required the state Treasury Department to produce an annual report on tax breaks and expenditures designed to provide detailed information from all corporations that receive at least \$100,000 in state subsidies (i.e. jobs created, how much they pay, whether they are full-



or part-time, and whether they include health insurance coverage); despite being mandated by law to provide this report, the Treasury Department has yet to do so. After years of claiming that the report would eventually be produced, in 2014 the Treasury Department stated that doing so would require sharing information that the state can't due to "agreements with the Internal Revenue Service respecting the safeguarding and sharing of confidential taxpayer information."

Residents deserve increased accountability to ensure that subsidy recipients deliver on their promises. Tracking the performance of subsidies and award recipients will enable the authority to establish effective claw-back policies to recapture funds when a recipient fails to meet agreed upon performance metrics.

Tax incentives are valuable commodities, but frequently represent a small fraction of the reason that companies choose to stay or locate in New Jersey. The Governor should direct the EDA to revisit the current tax incentive programs so they can be re-calibrated and re-aligned to support urban and regional growth priorities that focus on key locations and sectors that will support sustainable growth and build vibrant communities. The reach of these programs should be extended to foster smaller employer location decisions and job creation, and a small business representative should be placed on the NJ EDA board to ensure these views are heard.

Costs: Negligible cost, achievable with current staff and resources.

**iii. Recommendation: Issue an executive order to enact a Census Complete Count initiative to benefit 2020 Census**

As the country approaches the 2020 census, New Jersey is in danger of being undercounted and therefore misrepresented, especially in its largest cities and urban areas. In the 2010 census, New Jersey was undercounted by 31,000 people, costing the state important federal and political resources. New challenges in the political climate and changes to the administration of the 2020 census threaten New Jersey by making an accurate count more difficult to achieve. The result of which, would be a negative impact on resources available to communities around the state. Six NJ counties have signed up for the Census Bureau's Local Update of Census Addresses program (LUCA), which will help ensure the Bureau has the most complete address list. The four biggest counties – Bergen, Essex, Hudson, Middlesex – did not register, and Monmouth has declined to participate (though several municipalities within these counties have individually registered to participate). The deadline to register for participation was December 15, 2017. New Jersey receives approximately \$17.56 billion in support from federal grants, which is about half the size of the state's budget.

In the first 100 days, the governor should direct DCA to form a Complete Count Committee that would include stakeholders from government, business, education, non-profits, and philanthropy. Necessary action would also include incentivizing local and county governments to ensure the Census Bureau has the most complete listing of addresses and providing them with technical support to be successful. Particular attention must be paid to urban communities, which are often misrepresented in the census and can be hard to count accurately.

Costs: A minimal amount of expenditure will be in the low single-millions, but the total cost will depend on how aggressive the state's response is. Return on investment is likely to be

high; California has invested \$2 million in its effort to ensure the Bureau has the most complete listing of addresses for its counties and believes that action alone will yield \$100 million in additional annual federal contributions.

**iv. Recommendation: Recognize and support the state’s arts, culture, and heritage to promote economic development, job opportunities, and increased quality of life for our residents**

Recently, terms such as "creative economy," "creative class," and "cultural economy" have captured the attention of municipal and state leaders across the country as ways to describe an essential component of economic development and a means of attracting employers and workers.

The state is facing increasing competition from our neighbors in New York, Pennsylvania, Connecticut, Delaware and others, who actively advertise and promote the destinations and cultural events within their states. While the state’s beaches are well-known by the rest of the nation, other regions offer a variety of attractions for tourists to enjoy, including vibrant arts and entertainment, important connections to American history, sporting and athletic attractions, and more. This will be especially important as the country approaches its 250<sup>th</sup> birthday celebration in 2026. As one of the thirteen original states, New Jersey is home to a high number of sites that are central to American history, particularly events connected to the Revolutionary War.

The Governor should bring together a wide array of artists, educators, urban planners, historians and preservationists, philanthropic organizations, and economic development professionals with leadership from relevant state agencies. The aim of such a summit, will be to identify and elevate the state’s arts, culture, and historical assets and discuss opportunities to best support and grow them. This meeting should be organized by the Secretary of State, and include support from other agencies, including EDA, DEP, DCA, DOE, Higher Education, LWD, and others.

Costs: Minimal costs to organize summit and produce a subsequent report for the Governor.

**III. PRIORITY: GROW THE ECONOMY AND CREATE LOCAL JOB OPPORTUNITIES BY LEVERAGING ANCHOR INSTITUTIONS AND STRENGTHENING BUSINESSES, PARTICULARLY SMALL, MINORITY, AND WOMEN-OWNED BUSINESS ENTERPRISES (SMWBES)**

**i. Recommendation: Direct NJ EDA to explore partnership with Community Development Financial Institutions (CDFIs) in order to address urban development issues and extend opportunity to small/MWBEs**

Minority and women-owned business enterprises (including businesses owned by veterans and disabled-individuals) in New Jersey, disproportionately suffer from low credit ratings and limited chances of loan approval. CDFIs can act as secure sources of capital for small MWBEs and provide them with affordable rates. Yet, all five CDFIs across the state combined serve less than 300 MWBEs, far below statewide demand. The lack of opportunity for MWBEs to secure capital is especially harmful for communities with high minority populations. Increasing the capital that CDFIs can lend to MWBEs and CDCs operating in communities with high minority populations will increase economic activity in those

communities, address local needs including development of housing (affordable and market) and commercial retail, and improve employment. NJ EDA currently provides capital to CDFIs through its “Loans to Lenders” program, but the maximum dollar amount made available is \$500,000 for new borrowers and \$750,000 for existing borrowers. These caps may be too low for a large array of projects that CDFIs pursue in urban areas.

The Governor should direct leadership at NJ EDA to research the best options and innovative financing techniques to better serve the state’s local businesses in the downtowns and cities, as redevelopment in these areas continues to grow.

Costs: No cost, can be achieved without restructuring EDA, simply increasing the authority’s focus on partnership with CDFIs.

**ii. Recommendation: Create an inter-departmental working group to develop a local hiring and procurement plan for anchor institutions and corporate partners, based on the model being used by Newark 2020**

In recent years, many of New Jersey’s cities have experienced economic expansion, with companies, hospitals and universities locating in downtowns to be close to public transportation and other important resources. Unfortunately, in many of these areas, there are large disparities in employment with many local residents not receiving opportunities for employment by local anchor institutions and corporate entities.

In the first 100 days, the Governor can issue an executive order to create an inter-agency working group and direct them to initiate a plan that would encourage the state’s anchor institutions to create hiring and procurement strategies for local businesses and residents. Related agencies should include the NJ Economic Development Authority, Labor and Workforce Development, Treasury, Department of Community Affairs, and the State’s universities.

Costs: Minimal cost.

**iii. Recommendation: Conduct a study that will identify disparities in the contracting and hiring of MWBEs**

When looking at the state’s contracting landscape, there is a clear lack of adequate representation of minority-owned, women-owned, and veteran-owned small businesses. The state needs to determine why those disparities exist and whether they are the result of active or passive discrimination on its part. The Governor should direct the DCA to create a task force that will conduct a study and report back to the governor within three to six months (also see the Stronger, Fairer Economy report).

Costs: Minimal cost – about \$500,000 – that could be possibly be underwritten by a separate organization.

**iv. Recommendation: Expand the state’s Small Business Set-Aside program to better include MWBEs**

Currently, the eligibility standards for the state’s Small Business Set-Aside program prevent minority-owned, women-owned, and veteran-owned small businesses from being able to fully participate. Hudson and Essex counties have implemented reforms to improve these programs in their counties.

In the first 100 days, the Governor can direct the Division of Revenue & Enterprise Services to review the rules for eligibility so that MWBEs have a better chance to participate in the program and to set-aside dollars for these entities.

Costs: Minimal cost, can be achieved with existing resources.

**IV. PRIORITY: BOLSTER THE RESILIENCY OF COMMUNITIES THROUGHOUT THE STATE BY IMPLEMENTING SCIENCE-BASED CLIMATE RISK ANALYSIS INTO DECISION-MAKING AT ALL LEVELS OF GOVERNMENT**

**i. Recommendation: Integrate sea-level rise projections into all land use and transportation planning and economic development decision making and create an Office of Resiliency**

Regardless of its best efforts to reduce greenhouse gas emissions and mitigate the effects of climate change, the state will need to adapt to related threats that could devastate many communities, most notably to sea level rise (SLR). The State should establish science-based, public SLR standards that set the guidelines for private and public investment in risky areas. Much of the research work has already been done by Rutgers' Climate Adaptation Alliance. Establishing an Office of Resiliency that could facilitate collaboration among state agencies and municipalities, as well as federal agencies like FEMA, to ensure that all state projects and funding to municipalities incorporate climate science and resiliency planning. Many cities and a growing number of counties, universities, businesses, and states, including Colorado, Oregon, West Virginia, and Rhode Island, now have "Chief Resiliency Officers" whose mission is to develop comprehensive climate adaptation strategies and resiliency implementation plans that respond to their unique set of risks and long-term goals.

In the first 100 days, the Governor should direct the Department of Environmental Protection to lead these changes and work with other agencies, including DCA and EDA to adjust their development-related operations and analyses. An Executive Order can establish the Office of Resiliency where the Governor decides can be most effective at coordinating interagency efforts, such as in the Department of Homeland Security or in Treasury.

Costs: Minimal budget impact, can be accomplished with existing staff and resources. The Office of Resiliency would need a small staff, but could also be created and supported by redistributing current funding streams.

**ii. Recommendation: Align state programs and incentives to discourage development in high-risk flood zones**

Most of New Jersey's incentive programs for affordable housing, economic development, and other policy areas do not sufficiently take into account the risks of climate change and sea level rise. The state needs to ensure that when it builds housing or roads or bridges, it is not putting people into harm's way or exposing taxpayer dollars to climate risk. Sea level rise, storm surge, and flooding should be factored into facility siting, permits, and any state infrastructure assistance programs. Any state programs that encourage (or discourage) development should account for flood and inundation risk factors. This could be accomplished through a rekindled state development planning process.

In the first 100 days, the Governor should direct interagency coordination to ensure development in high-risk flood zones accounts for climate change risk factors. These efforts could be led by the newly formed Office of Resiliency and Sustainability, and would be supported by inclusion in the state strategic growth plan.

Costs: Minimal budget impact, can be accomplished with staff and resources.

**iii. Recommendation: Prepare for the next big storm through a “table-top” disaster preparedness exercise and consideration of financial risk instruments for coastal areas**

On average, almost every year over the past 20 years, New Jersey experienced a presidential declared flood-related disaster. A number of coastal municipalities now experience chronic flooding during regular high tides, and tidal flooding is projected to grow more severe. Severe storms like Sandy, Harvey, and Irma, are increasingly likely to occur, as the warming atmosphere retains more moisture. Storm surges are projected to become more devastating and the economic impact of each storm increases exponentially as the sea level rises.

Recovery agencies working with municipalities affected by Hurricane Sandy found that no municipality or local official was equipped to respond to the damage it experienced. Local officials were unable to contact many of the displaced families for months, and many residents are still not back on their feet five years after Sandy.

Future severe weather events will be economically devastating for the entire state as well. More than \$22 billion in total tourism direct sales, more than half of New Jersey’s total, came from five coastal counties: Atlantic, Cape May, Middlesex, Monmouth, and Ocean. In 2016, these counties accounted for more than 300,000 tourism jobs, and tourism impacts a significant share of total employment in these counties.

Steps to increase the resiliency of our local towns and regions should be taken now, while we still have time to plan, instead of waiting for the next storm that could destroy our coast. In the first 100 days, the Governor should call for a tabletop simulated disaster session in which all cabinet members and other designated members of the administration meet to discuss their roles during an emergency and their responses, policies, and procedures. Three major phases to the exercise should focus on Phase 1) Preparedness/Mitigation; Phase 2) Response, and Phase 3) Recovery. By meeting in an informal, low-stress environment, the exercise will clarify roles and responsibilities identify additional needs, and result in updated action plans for continued improvement of state emergency planning. The Office of Homeland Security and the Office of Emergency Management should partner to convene the tabletop exercise.

In addition, the Governor should direct Treasury to immediately study innovative financial tools, such as resilience bonds, green bonds, or catastrophe bonds, in order to link insurance coverage with capital investments in resilient infrastructure (such as green infrastructure and wetland mitigation) to reduce expected losses from future disasters and provide funding for immediate clean up in the aftermath of the next major storm.

Costs: A tabletop disaster planning exercise and study of risk management financial tools could be funded through current operations.

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The Governor, Lieutenant Governor, and the entire senior transition team staff greatly appreciate the immense amount of work, participation and expertise that all our co-chairs, committee members and deputy directors who staffed each committee provided since the transition began in November. This hard work and positive energy about how New Jersey can once again become a national leader has resulted in a robust set of recommended priorities and actions for the incoming administration to consider. As with any collaborative endeavor, many recommendations and opinions were expressed and debated during the committee meetings and the drafting of the reports by co-chairs, committee members, and Deputy Directors. The final reports may contain recommendations that do not reflect the concurrence of all co-chairs or committee members, nor of the organizations they represent. These reports are purely advisory and do not reflect the positions of the Governor-elect or any other elected official.