

New Jersey state agency hands \$11 billion in tax breaks to businesses and developers

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New Jersey's Economic Development Authority (EDA) has approved \$11 billion in tax incentives for businesses and developers in the past 15 years. According to the authority's stated mission, the huge sums are designed to promote the retention and creation of jobs. Harrah's, Quest Diagnostics, Eastern Pro Pak, Sysco Guest Supply, and the Philadelphia 76ers have all initiated projects with EDA support. But the EDA's incentives, according to an audit by the New Jersey Office of the State Comptroller, "have been improperly awarded, overstated, and overpaid."

The EDA is an independent state agency governed by a board of thirteen directors appointed by the governor for three-year terms. Public members, who come from local government and the private sector, account for eight of the board's seats. The other five seats are for ex-officio members from various state departments, such as Banking and Insurance, Labor and Workforce Development, and Treasury. As in other US states, these autonomous agencies are charged with representing the public interest, but in effect function to defend the interests of the capitalist ruling elite.

The comptroller's audit noted that the EDA has not created processes to monitor awardees' performance and ensure that it satisfies the requirements for receiving the incentives. It has no way of determining whether promised jobs were created or retained, nor does it have adequate means of evaluating the success of the incentive programs, the comptroller said. Thus, in an example of "corporate welfare," the EDA has effectively transferred resources from New Jersey's residents to business owners and developers, with no questions asked.

Without monitoring performance, the EDA had certified, between 2005 and 2017, that 401 projects had achieved their goals, releasing tax incentives under

programs such as the Grow New Jersey Assistance Program and the Economic Redevelopment and Growth Grant Program. The net effect of these projects, based on the claims of their private developers, would be to create 50,633 new jobs, retain 33,727 jobs, and generate \$9.3 billion in capital investment. On this basis, the EDA awarded the businesses \$3.4 billion in tax credits. Another \$7.6 billion in incentives have not been awarded because the projects have not yet been certified.

The comptroller's office investigated the EDA's administration of 48 of the 401 certified projects and concluded that "key internal controls were lacking or nonexistent." The incentive programs have little transparency or accountability, and the EDA lacks an adequate process for determining whether the state gained the economic benefit that the applicants promised, according to the audit. Because it required little documentation to corroborate the results that businesses and developers reported, the EDA made "inaccurate representations of awardee performance to the stakeholders and taxpayers." Thus, the EDA's true function was to provide massive tax breaks while hiding this from taxpayers.

Although the EDA has the authority to impose sanctions, the comptroller's office identified several occasions when it took no action after awardees had not satisfied the terms of their agreements. For example, one company did not submit required annual reports for two reporting periods. The EDA was not even aware of these failures until the comptroller's office brought them to its attention. The EDA has not taken any action to recapture any part of the tax incentives from companies that failed to meet required employment levels.

The comptroller's audit is not the first warning that

the EDA has received. In 2017, the Office of the State Auditor (OSA) notified the EDA about insufficiencies in the way the latter evaluated and reported program results. “However, when required to develop a corrective action plan for the OSA audit, EDA did not sufficiently address the underlying issues,” according to the comptroller’s audit.

The EDA did, however, seek to create the illusion of accountability. In 2017, it gave an independent certified public accounting firm a three-year contract to help it determine whether the cost and job certification reports that awardees submitted satisfied the incentive programs’ requirements. The EDA gave the Office of the State Comptroller six reports from this accounting firm. Unlike previous state audits of the EDA, the firm’s investigation did not find any significant problems. The reason for this discrepancy is simple. The comptroller “determined that the results were based on limited procedures, which were agreed upon by EDA and the independent audit firm and did not include a comprehensive reconciliation and comparison of the recipient-reported job data with labor reports.”

The audit makes clear that the EDA is not staffed by incompetents who have repeatedly failed to achieve their mission. Rather, its purpose, as an agency of the capitalist government, is to defend the interests of big business and place increased burdens on the working class.

Democratic Governor Phil Murphy requested the comptroller’s audit shortly after taking office in January 2018. During the gubernatorial campaign, he had appealed to working-class anger at increasing social inequality by threatening to “make millionaires and corporations pay their fair share of taxes.” He charged former Republican Governor Chris Christie with having starved social services to give corporations generous tax breaks.

Murphy’s charge, however politically motivated, was true. By 2015, the middle of Christie’s second term, the EDA had given more money in tax breaks than had been granted in the ten years before Christie became governor. These incentives went mostly to firms with connections to Christie. For example, the EDA gave \$260 million to Holtec, which manufactures nuclear equipment. George Norcross, a state Democratic Party leader who supported Christie, is on Holtec’s board.

Meanwhile, services were being gutted. One

egregious example is NJ Transit, for which Christie slashed the amount of state funding by 91 percent. The rail system continues to be plagued by cancellations and delays. Some trains do not even complete their scheduled routes.

The publication of the comptroller’s audit on January 9 provided Murphy with another opportunity to posture as a defender of the working class. “I think and dream what we could have done with \$11 billion well spent,” he fumed. “It makes me incredibly angry.” Yet only \$3.4 billion of the \$11 billion has been awarded. Murphy thus implicitly relinquished his power to prevent the remaining \$7.6 billion from being awarded, regardless of the EDA’s lack of oversight.

Murphy also was noncommittal about whether the state would attempt to take back any of the previously awarded funds. This blithe acceptance of handouts to big business comes naturally to the governor, a former top official at Goldman Sachs.

As Murphy and the state legislature, which Democrats control, shower their largess on capitalists, more than one-third of households in New Jersey cannot afford necessities like food, housing, transportation and medical care. Their days are permeated with anxiety and stress.

The comptroller’s report is an example of the capitalist government airing its dirty linen. The Democratic governor is prepared to point the finger at his political rivals, diverting attention from the fact that the interests of the ruling class are looked after by both parties of big business.



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