



10 W Lafayette Street  
Trenton, NJ 08608-2002

609-393-7707  
www.njbja.org

**Michele N. Siekerka, Esq.**  
President and CEO

**Christine Buteas**  
Chief Government  
Affairs Officer

**Raymond Cantor**  
Vice President

**Christopher Emigholz**  
Vice President

**Nicole Sandelier**  
Director of Economic  
Policy Research

**Alexis Bailey**  
Director

To: Governor Phil Murphy & Murphy Administration Staff

From: Christopher Emigholz, NJBIA Vice President of Government Affairs

Date: July 28, 2021

Re: NJBIA Testimony on Optimal Use for American Rescue Plan Funds in New Jersey

---

On behalf of our member companies that provide approximately 1 million jobs in our state and make NJBIA the largest statewide business association in the nation, thank you for considering our perspective on the best use for the federal American Rescue Plan (ARP) funds here in New Jersey.

ARP funding provides our state a potentially transformative opportunity to address lingering problems in New Jersey while improving our state budget situation and stimulating the economy as we recover from the devastation wrought by the pandemic. For our taxpayers and business community, it is critical that we do not waste this special opportunity.

Our post-pandemic economy is currently facing an unemployment rate of 7.3% that is about double the rate when the pandemic began and among the worst in the nation. At the same time, many small businesses have closed and/or seen their revenue significantly decline over the course of the pandemic with national tracking data consistently showing these numbers down by about a third or more. In this business climate, it is critical that we use ARP funds with our economy in mind, just as the federal government gave the option – “to respond to the public health emergency or its negative economic impacts including assistance to households, small businesses and nonprofits, or aid to impacted industries such as tourism travel and hospitality.”

Toward that end, NJBIA recommends five guiding principles for how this money is spent: 1) Transparent Coordination & Collaboration, 2) No Permanent & Recurring Use, 3) Multi-Year Approach, 4) Debt Reduction, and 5) Economic Stimulus. These five priorities are also very similar to those pushed by the New Jersey Business Coalition in a recent letter sent to Governor Murphy and the Joint Budget Oversight Committee that will oversee the spending of these federal dollars.

**1) Transparent Coordination & Collaboration** – In addition to the more than \$6 billion received by the State through the American Rescue Plan, New Jersey’s counties, municipalities, school districts, government agencies, and higher education institutions will also receive billions of dollars in direct assistance. To ensure the most effective expenditure of these funds and maximize this special opportunity our state has, New Jersey must develop a coordinated plan to avoid redundant spending and facilitate collaboration where necessary. NJBIA recommends there be a central point in the Governor’s Office to coordinate, with legislative and public input, a comprehensive

pandemic rescue and recovery plan for the whole state. We appreciate this public hearing to start moving in this direction.

**2) No Permanent & Recurring Use** – Spending should be focused on non-recurring items that fill an urgent need and/or stimulate the economy but will not need ongoing funding through new line-item expenditures in future state budgets. One-time infrastructure and economic stimulus spending is needed as new programs will only stress future budgets after this federal money is gone.

**3) Multi-Year Approach** – The federal funds must not be depleted in one year and, while ensuring that any expenditures do not become permanently recurring, the state should take a multi-year approach through 2024 like the federal government allows to ensure their best use. These monies should be drawn over multiple budgets to stabilize future revenue and spending needs. This will allow for natural revenue growth to catch up to state spending to create a smooth landing for our state budget without needing future tax increases when we already have the highest corporate taxes in the nation, highest property taxes in the nation and among the highest personal income tax rates in the nation.

**4) Debt Reduction** – NJBIA appreciates the \$3.7 billion put aside in the just signed FY22 state budget for debt defeasance and prevention, and we understand there are limitations to these federal funds being used to pay down debt. However, anything further that can be done with our surplus or federal funds to address current and future liabilities is critical to avoid a fiscal cliff when this money has been used up. This could include repaying the UI debt as other states have announced their intention to do with federal funds or paying for infrastructure needs to avoid future debt.

**5) Economic Stimulus** – Federal funds should be spent to maximize return on investment and economic growth to generate more tax revenues without increasing taxes. NJBIA believes the state should focus on the following pro-growth spending, which would provide both immediate and long-term support to our economy:

- **Unemployment Insurance (UI) Replenishment** – Repaying the federal UI debt and covering some of the UI liability employers will face in coming years will provide them direct relief, freeing up money which can be used to rehire, increase wages, and invest in their operations. Otherwise, employers will have to divert substantial resources to cover the UI benefits that were necessary for workers who were laid off due to state-mandated COVID-19 restrictions on businesses.
- **Further Small Business Grants** – The NJEDA has done an outstanding job supporting small businesses during the pandemic, but it still needs more resources. Through the NJEDA's own data, it has helped over 60,000 small businesses – fantastic but only about 7% of the approximately 900,000 small businesses in our state. Businesses lost a third of their revenue when the state forced many of these businesses to close or scale down their operations for over a year, and we need to do as much as possible to help them survive and recover. NJBIA thanks Governor Murphy and the Legislature for providing the EDA as much funding as it has, but we urge that it continue to do so by expanding on the size of the awards and size of employers eligible where appropriate.

- **Addressing Hiring Crisis** – Businesses across the state are struggling to bring back the workforce they need to operate at full capacity. This threatens to undermine New Jersey’s economic recovery and needs to be addressed immediately. Several businesses are offering signing bonuses or higher wages to bring workers back, however, not all can afford to do this after COVID-19 revenue losses. Funds or tax incentives should be provided to help more businesses provide signing bonuses to incentivize individuals to return to work. Toward that end, NJBIA supports funding to employers and/or employees to support back-to-work incentives similar to Congresswoman Mikie Sherrill’s recently introduced Support for New Workers Act in the U.S. House of Representatives, which provides those who re-enter the workforce weekly payments equal to 60% of what they received from federal benefits. We also support S-3759/A-5735, introduced by Senator Vin Gopal and Assemblyman Vincent Mazzeo, which provides tax credits for small businesses paying low-wage workers. Funding for an educational campaign to promote the return to work and the limits of UI benefits could also make a big difference. NJBIA requests state action to help employers get people back to work as quickly as possible, and one-time payments with this federal cash can make a big difference with this hopefully one-time problem.
- **Pro-Growth Spending** – Spending on infrastructure, workforce development and innovation spur economic growth and should be prioritized over other uses of ARP funding.
  - **Infrastructure** –The budget’s infrastructure investments are a great start, especially on offshore wind and the \$1.2 billion capital construction fund. However, further investment in infrastructure, just as the federal rules call for, will stimulate the economy. Investing in transportation, higher education facilities, school buildings, clean water, energy, and telecommunications would create jobs and support a pro-growth environment. There are always going to be more worthy infrastructure projects, but it may be worth assessing the infrastructure discussions currently happening in Washington, D.C. to ensure that we are optimizing the use of both these current and the probable future funds.
  - **Workforce Development** – The business community appreciates the workforce development funding increases in the FY22 state budget, especially the county college training programs. However, with a historic number of displaced workers, the state should provide further training opportunities to prepare workers for the economic opportunities which will emerge in the post-pandemic economy. These investments can support Workforce Investment Boards, training grants, private career schools, county vocational-technical schools, workforce programs at four-year colleges and further support for county colleges.
  - **Innovation** - NJBIA appreciates the increase in investments in New Jersey’s innovation ecosystem in the FY22 budget, which will help make our state a destination that attracts further talent, research, development, STEM investments and high-paying

jobs. However, more is always needed in the quest to have New Jersey reclaim its stature as the Innovation State. Innovation infrastructure such as broadband, college laboratories and other research and development infrastructure would enable this.

NJBIA believes that using these federal funds with these guiding principles will simultaneously improve our economy and set our state finances and state budget up on a smooth path that can avoid the need for future tax increases in our already high-tax state. We are excited to work with the Murphy Administration on this important work to make sure we properly take advantage of this historic opportunity. Thank you again for considering the perspective of the business community!