

For Immediate Release
Contact: EDA, Nicole Royle
(609) 292-8691
Treasury, Tom Vincz
(609) 633-6565
Rutgers/Bloustein School
Joseph Seneca
732-932-2993 x757
James Hughes
732-932-5475

RUTGERS STUDY: NJ ECONOMY BOLSTERED BY BUSINESS EMPLOYMENT INCENTIVE PROGRAM

TRENTON, N.J. (October 17, 2005) -- Nearly \$350 million in additional state tax revenue is generated each year and \$8.4 billion is brought to New Jersey's gross state product as a result of the Business Employment Incentive Program (BEIP), according to a study released today by the New Jersey Economic Development Authority (EDA). Conducted by the Edward J. Bloustein School of Planning and Public Policy at Rutgers University, the study was commissioned by the EDA to estimate the impact of BEIP on New Jersey's economy.

"We knew the program had been effective in directly supporting job creation, and now we have comprehensive data that reflects how immense an impact the program has on state tax revenue, and job creation," said Caren S. Franzini, Chief Executive Officer of the EDA, the state agency that administers BEIP. "This report further supports the effectiveness of BEIP as a tool to attract businesses to New Jersey, encourage business expansion, and grow our economy."

The study, presented by Rutgers researchers Dr. Joseph J. Seneca, Dr. James W. Hughes, and Will Irving concludes that:

- Businesses assisted by BEIP generate nearly \$350 million in additional state tax revenue annually, representing over a 3.7 to 1 return on investment
- To date, the 183 businesses that have received BEIP assistance have created nearly 52,000 new, permanent jobs. Economic activity generated by BEIP businesses also has lead indirectly to the creation of another 58,000 jobs.
- Operations of the BEIP assisted businesses add approximately \$8.4 billion to New Jersey's gross state product. For every dollar spent on BEIP, New Jersey's gross state product increases by \$88.

State Treasurer John E. McCormac noted that the study further documents how the BEIP program strengthens the New Jersey economy and the State budget.

(more)

“The BEIP program is clearly keeping New Jersey’s economy on track and fueling a tax revenue base that sustains the State's finances. With tools like BEIP, we are creating jobs, bolstering our tax base and making it possible to fund vital programs in our State budget,” he said. McCormac noted that while New Jersey returns a portion of tax revenue from newly created jobs back to businesses in the form of BEIP grants, those revenues are kept in their entirety and become permanent after the end of the BEIP 10-year contract period.

“Despite contentions to the contrary, BEIP works. There are literally thousands of New Jerseyans holding jobs today that otherwise would have migrated to other states and countries and we are proud to have been able to make that happen,” McCormac said.

Under the BEIP program, businesses that execute agreements with EDA and create jobs receive annual cash grants based on the number of new jobs they have created in the State. BEIP grants may be offered for up to 10 years and can equal 10% to 80% of the total amount of state income taxes generated by the grantees’ newly created jobs during the calendar year. To qualify, a business must demonstrate that the BEIP grant is a “material” factor for expanding or relocating jobs in New Jersey, that it is financially viable, and that it will create a minimum number of 25 new jobs, or 10 new jobs if the business is within the high tech or biotechnology industries.

“The BEIP grants are supporting exactly the high-paying, high productivity industries New Jersey needs to attract and retain in order to keep its economy growing in an ever more competitive global environment. Moreover, the BEIP awards, paid only when jobs are created, ensure that the use of state resources is both prudent and beneficial,” said Joseph J. Seneca and James W. Hughes.

"The report indicates what we've known for some time -- that the BEIP program is a highly successful tool in terms of jobs creation and capital investment," said Commerce Secretary Virginia Bauer. "The fact that BEIP generates a 3.7 to 1 return on investment demonstrates the effectiveness of the program."

In addition to long-term economic benefits of the program generated by ongoing operation of the assisted business, BEIP also results in a number of one-time impacts generated by capital expenditures on construction, equipment and other items that accrue over the duration of the project, according to the study. One-time impacts include an additional 111,041 “job-years” (or one job lasting for one year); \$6.6 billion in gross state product, and \$233 million in state tax revenue.

Attached is a summary of the study’s findings. For a complete copy of the study, visit www.njeda.com, or visit www.policy.rutgers.edu/beipbenefits.pdf