

## Economic Development and Innovation Transition Team Report

To capitalize on strengths and overcome challenges, the [Economic Development and Innovation Transition Action Team propose](#) that the Sherrill-Caldwell Administration consider the following recommendations to address these key priorities:

- Catalyzing investment in businesses, research and development, and advanced industries, and improving the business climate.
- Reducing constraints to growth and meeting the workforce needs of the business community.
- Investing in historically underserved communities.
- Other policy considerations.

### **Catalyzing Investment in Businesses, Research and Development, and Advanced Industries, and Improving the Business Climate**

Bolster dual economic development strategies for business attraction and retention. As one of the nation's largest economies, New Jersey must balance attracting investment in advanced, high-growth sectors with retaining high-performing, incumbent industries. The state's highly educated workforce, nation-leading education system, and premier research institutions, robust transportation infrastructure, and proximity to major financial hubs provide a strong foundation to accomplish both priorities.

Continue supporting ongoing startup incubators, entrepreneurial initiatives, manufacturing, and research and development programs. Over the last eight years, New Jersey has launched or supported several initiatives to spur economic development and build partnerships with industry stakeholders that have proven effective. One example is the New Jersey Strategic Innovation Centers (SICs), which is a New Jersey Economic Development Authority (NJEDA) effort to support research and development, innovation, and entrepreneurship.

Expand the reach of existing economic development programs to support more small businesses. Small businesses are significant contributors to the state economy, stimulating critical economic activity and providing vast job opportunities. New Jersey is home to over 953,000 small businesses, which represents 99.6% of all businesses in the state. This can be accomplished by expanding Urban Enterprise Zones (UEZs).

Take steps to reduce costs and improve the business climate. A state with lower tax costs will generally be more attractive to business investment and may be more likely to experience economic growth. According to the 2026 Tax Foundation Index, New Jersey consistently ranks near or at the bottom for business competitiveness from a tax

standpoint. This is primarily due to high corporate business taxes (CBT), unemployment insurance and property taxes, and an overall burdensome tax structure.

### **Reducing Constraints to Growth and Meeting the Workforce Needs of the Business Community**

Modernize government regulations, systems and operations, reduce complex and outdated regulatory red tape, and establish an Office of Business Advocacy to improve customer experience and the business climate. Nearby states such as Pennsylvania and Rhode Island have achieved significant success in increasing business friendliness and improved efficiency in administrative and regulatory processes. New Jersey's dense regulatory code and slow bureaucratic processes diminish the state's competitive advantage and risks deterring capital investment to neighboring states throughout the mid-Atlantic and Northeast.

Expand public-private partnerships to build workforce pipelines and drive innovation and economic growth. Workforce development relies on both a strong academic environment to build skills and an engaged industry to support jobs, making it critical for the State to bridge these two ecosystems. However, employers and job seekers face difficulty navigating the system, and institutions are hindered by lengthy curriculum approval processes.

Make it easier for parents to reenter the workforce. Childcare is a vital part of New Jersey's economy and an economic engine. According to the NJ Policy Coalition, "New Jersey's childcare sector supports more than 67,000 jobs across the state, generating \$4 billion in annual economic activity." But New Jersey faces an 18% gap between the supply of childcare and the need—leaving 81,000 young children without access to care. The shortage of affordable and accessible childcare is a major barrier to jobs, opportunities, and economic mobility.

### **Investing in Historically Underserved Communities**

Develop shared vision for economic and community development in Atlantic City and Trenton, and in rural communities. In economic terms, Atlantic City and Trenton have lagged dramatically behind other urban centers in the state, such as Jersey City, New Brunswick, and Newark.

Previous economic efforts in Atlantic City and Trenton have yielded limited success for residents. To finally turn the tide of economic and social mobility in these cities, a coordinated, committed, and comprehensive effort is needed. The Sherrill-Caldwell Administration must create a new, shared vision of economic and community development informed by a national assessment of effective community development models that have been implemented in postindustrial and boom-and-bust cities. Effective models include Pittsburgh's Local Economic Revitalization Tax Assistance Act

program or Detroit's Strategic Neighborhood Fund, which have improved quality of life and helped municipal governments break out of the decline-of-rateables feedback loop.

Support local community development and investment opportunities. Investment in community development is a foundational precursor for improving quality of life, fostering strong business ecosystems, and building resilient neighborhoods. The New Jersey Department of Community Affairs administers impactful place-based economic development programs. One is the Neighborhood Revitalization Tax Credit (NRTC) Program. The NRTC offers businesses a 100% tax credit for investing in distressed, low- to moderate-income neighborhoods by financially supporting pre-approved projects led by community-based nonprofit organizations. These projects implement community-driven revitalization plans for housing, economic development, and supportive services, leveraging private investment for projects in the public interest.

### **Other Policy Considerations**

Establish a New Jersey Small Business 2026 Commission. To capitalize on two major sporting and cultural events this year, the Sherrill-Caldwell Administration should quickly establish a New Jersey Small Business 2026 Commission to prepare for the FIFA World Cup 2026 and the United States Semiquincentennial.

Publish a "Looking Ahead" New Jersey Economic Development Authority (NJEDA) report on New Jersey's economic opportunities and threats over the short-, near-, and long-term. A critical component of economic development is not only forecasting how the economy will grow but anticipating how it should evolve. To ensure New Jersey maintains a long-term vision for its economic future, the NJEDA should produce a comprehensive report outlining a decade-scale roadmap for the state's economy. This report should incorporate insights from experts in economics, business, and public policy and community stakeholders to identify advanced and high-growth industries likely to dominate in the later 21st century. It should recommend actionable steps that New Jersey can take now—and over the next 10 years—to position itself ahead of these shifts.