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REPORT TO MEMBERS *by Philip Kirschner, President*

Reform Takes Center Stage in Trenton

As Governor Chris Christie takes office and new leaders take the helm in the Senate and the Assembly, reform is the first order of business. The good news for the business community is that the reforms being discussed could substantially improve New Jersey's business climate.

Christie spent his first full day in office advancing regulatory reform. The Governor signed four executive orders that will warm the hearts of anyone who has ever applied for a permit from the NJ Department of Environmental Protection (DEP). He froze the adoption of any new regulations for 90 days and officially established the Red Tape Review Group to identify those regulations that are ineffective and restrain economic growth. The group has 90 days to complete its task, and offer recommendations to revamp rules that are unreasonable barriers to economic growth.

The Governor also instructed agencies to change the way they process permit applications and enforce regulations. Among other things, the executive order requires state agencies to base their regulations on sound science by showing that the regulatory standards will produce a meaningful public benefit. Agencies must also consider the economic impact of regulations, to see whether or not the cost outweighs the benefit.

If an agency wants to adopt rules that go beyond what the federal government requires, it now must provide a compelling reason to do so. Another provision requires agencies to adopt a "time-of-decision" rule, which would base permit approvals on

the regulations in force at the time the application was submitted. Another provision would permit agencies to provide waivers in certain circumstances, giving officials the flexibility to use common sense when a regulation conflicts with other rules or is too burdensome.

At the same time, the Legislature wants to take up reforms of its own. The new Senate President, Stephen Sweeney, announced that reforming the state's pension system is one of the Senate's top priorities. The move was quickly applauded by Senate Republican Leader Tom Kean and other Republican senators.

>The state's new political leaders are heading in the right direction.

State pension plans are underfunded by an estimated \$30 billion, and is a major reason the state is drowning in a sea of debt.

Sweeney said he would begin with a review of several reforms proposed in 2006 by the bipartisan Joint Legislative Committee on Pension and Benefits Reform. That committee made 41 specific recommendations, but only 15 were enacted. Some of the ideas that were left on the table include rolling back a 9 percent increase in pension benefits and increasing the number of years of highest earning used to calculate pension benefits from three years to five.

Make no mistake, this is a business issue. The state's pension liability is one of the chief underlying causes of New Jersey's chronic budget deficits and financial problems. Huge pension liability was one of the reasons the Pew Center on the States listed New Jersey as one of 10 states in the nation in financial peril, and one of two in the east, along with Rhode Island. Experience has taught us that when a financial crisis hits New Jersey, higher taxes on business are considered by lawmakers.

It's far too early for businesses to start celebrating. Christie has only been in office for a short time, and the Legislature has just begun its work. But there is no doubt that the state's new political leaders are heading in the right direction. **NJB**

