

February 10, 2017

**ASSEMBLY BILL NO. 4189  
(Third Reprint)**

To the General Assembly:

Pursuant to Article V, Section I, Paragraph 14 of the New Jersey Constitution, I am returning Assembly Bill No. 4189 (Third Reprint) with my recommendations for reconsideration.

This bill is the Legislature's second attempt in recent months to extend the failed Urban Enterprise Zone ("UEZ") program - a program with apathetic participation and a devastating impact on State revenues without any demonstrable benefit to municipalities or their residents. The Legislature's persistent efforts to expand and extend this program are baffling - particularly since the program was always intended to be of limited scope and duration. Five months ago, I conditionally vetoed a similarly misguided attempt by the Legislature to extend UEZs. The Legislature's stubborn refusal to acknowledge that, after more than 30 years, the UEZ program has been an abject failure compels me to do the same to this bill.

In 2016, the Legislature passed Assembly Bill No. 2576 (Second Reprint) ("Assembly Bill No. 2576") as the first five UEZs that were designated in 1986 - Bridgeton, Camden, Newark, Plainfield, and Trenton - were about to sunset. That bill would have extended the designations for all 32 UEZs for an additional 10 years. My conditional veto eliminated the extension and proposed that the Commissioner of Community Affairs study the UEZ program and assess whether any alternative, location-based program to assist fiscally distressed municipalities would be appropriate. The Legislature did not act on that conditional veto and, instead, enacted this bill, which would extend the now-expired UEZ designations for Bridgeton, Camden, Newark, Plainfield, and Trenton for two years (retroactive to January 1, 2017) and require the study recommended in my conditional veto of Assembly Bill No. 2576.

Although trumpeted as a "compromise" by its supporters, this bill is nothing of the sort. As evidenced by its conveniently-timed two-year extension, this bill is transparently designed to circumvent my Administration's efforts to protect New Jersey taxpayers from unsuccessful, fiscally imprudent programs. In lieu of a true compromise or prudently concurring in my recommendations for Assembly Bill No. 2576, this bill would resurrect the Bridgeton, Camden, Newark, Plainfield, and Trenton UEZs and delay their expiration until this Administration no longer serves as the gatekeeper against irresponsible legislation.

Thirty years of experience demonstrates that the UEZ program does not work. Although it was designed to foster economic growth in economically depressed municipalities, the program has not achieved these goals despite being extended in 2001 to a 31-year existence for what the Legislature promised was a "one-time basis." The alleged need for, and merits of, the program urged by its supporters is belied by the fact that only 18.3% of qualified businesses in UEZs participate in the program. Moreover, even with this low participation rate, UEZs significantly curtail State revenue. Indeed, this bill's extension for the initial five UEZs would decrease State revenues from retail sales taxes alone approximately \$40 million over the course of the next two years. This loss would be exacerbated by the other benefits that the UEZ Act provides to UEZ businesses, including business-to-business tax exemptions, tax credits, and unemployment insurance subsidies.

I cannot condone this bill's further extension of this wasteful and failed program. Nothing has changed in the five months since I conditionally vetoed Assembly Bill No. 2576 to warrant any change in that position.

Accordingly, I herewith return Assembly Bill No. 4189 (Third Reprint) and recommend that it be amended as follows:

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| <u>Page 2, Title, Lines 1-3:</u>        | Delete ", amending P.L.1983, c.303 and P.L.2001, c.347, and supplementing Title 52 of the Revised Statutes" |
| <u>Page 2, Section 1, Lines 8-43:</u>   | Delete in their entirety  |
| <u>Page 3, Section 1, Lines 1-43:</u>   | Delete in their entirety  |
| <u>Page 3, Section 2, Lines 45-48:</u>  | Delete in their entirety  |
| <u>Page 4, Section 2, Lines 1-48:</u>   | Delete in their entirety  |
| <u>Page 5, Section 2, Lines 1-32:</u>   | Delete in their entirety  |
| <u>Page 5, Section 3, Lines 34-47:</u>  | Delete in their entirety  |
| <u>Page 6, Section 3, Lines 1-22:</u>   | Delete in their entirety  |
| <u>Page 6, Section 4, Lines 24-48:</u>  | Delete in their entirety  |
| <u>Page 7, Section 4, Lines 1-46:</u>   | Delete in their entirety  |
| <u>Page 8, Section 4, Lines 1-46:</u>   | Delete in their entirety  |
| <u>Page 9, Section 4, Lines 1-48:</u>   | Delete in their entirety  |
| <u>Page 10, Section 4, Lines 1-7:</u>   | Delete in their entirety  |
| <u>Page 10, Section 5, Line 9:</u>      | Delete "5." and insert "1."   |
| <u>Page 10, Section 6, Line 25:</u>     | Delete "6." and insert "2."   |
| <u>Page 10, Section 6, Line 25:</u>     | Delete "and shall" and insert "."   |
| <u>Page 10, Section 6, Lines 26-27:</u> | Delete in their entirety  |

Respectfully,

/s/ Chris Christie

Governor

[seal]

Attest:

/s/ Thomas P. Scrivero

Chief Counsel to the Governor