

Catching Up With...Jim Florio

By Eric Peterson

Since he left office in 1994, former Gov. Jim Florio has co-founded a law firm (Florio Perrucci Steinhardt & Fader), become involved with a number of non-profit organizations and currently teaches a course at the Bloustein School at Rutgers. Real Estate New Jersey editors Eric Peterson and Brianne Harrison caught up with him recently in Atlantic City, for an exclusive interview, after a regional economic conference sponsored by PlanSmart NJ (http://www.globest.com/news/1095_1095/newjersey/168315-1.html), where he was a panelist.

RENJ: *What are your opinions on the fiscal proposals coming out of Trenton?*

FLORIO: There's no question there's a problem, a serious problem that's been building up over the past 14 or 15 years, where the state has just become fiscally irresponsible in some respects, just providing for tax reductions with no expenditure reductions, bonding in ways that don't make a whole lot of sense. It has caught up with us now. Unfortunately for this governor, he walked into the office and has had multi-billion-dollar deficits each year.

What Gov. Corzine has done is, quite courageously, said that this is just not going to be able to be constantly endured. We've got to go back to square one and deal with the fiscal structure of the state. One of the things he wants to do, correctly, is reduce the overall bonded indebtedness. When I left office in 1994, the bonded indebtedness of the state, from the beginning of the state's history was \$14 billion. Today, it's something like \$32 billion, so in 14 years it more than doubled in a way that was not discreet and prudent. What the governor has done is come forward with a plan designed to halve the bonded indebtedness, which will get our state on a much more fiscally stable basis.

RENJ: *What about the toll hikes for the Turnpike and Parkway?*

FLORIO: Again, that's one way of dealing with the problem. I think that if anyone is not enthusiastic about the governor's proposal, if you accept the fact that there is fiscal imbalance, tell me what you want to do. Unfortunately, we haven't had a lot of people banging down the door, trying to explain the alternatives. But I think the governor's program is moving ahead, and the legislature obviously gets the first shot at it. People who don't like components of it will be required, if they're fiscally responsible, to come up with alternatives.

RENJ: *If you had your old job back in Trenton, what would you do about it?*

FLORIO: First of all, we wouldn't be in this situation because I believed in pay-as-you-go. Obviously, I paid a price for it, but it's almost bordering on criminal negligence what we've done in the last 14 years. And, it catches up.

Therefore, you have to figure out what to do. The governor's program is intellectually coherent. It is fiscally and financially something that people on Wall Street understand. It's nothing more than providing an advance on future revenues. The thing he's doing that's commendable in one respect is taking the state out of responsibility for future bonding, saying

that this “non-profit corporation” he’s creating, the public benefit corporation he’s creating, is going to be the repository of the assets, will issue the bonds, and that bond buyers will know in advance that the state’s not standing behind these things. The bonds will then be priced at the appropriate degree of risk. But it is getting back to the point of having some fiscal integrity, which we’ve gotten away from.

RENJ: *Your law firm is involved in a lot of real estate deals—how do you see the market overall in New Jersey? A little flat?*

FLORIO: Maybe that’s happening in the nation. That’s not something unique to New Jersey, which is, I think, a place of great promise. You’ve heard what’s been said about growth in Atlantic City. I have no doubts that we’re in a trough that’s not going to be good for the next year or two, but things take long to develop, and if you come back to Atlantic City five, six, seven years from now, you’re going to see a totally different city. We’re not going to be dependent as we were in the initial years of success for Atlantic City’s gaming industry on bus riders coming in and playing slot machines. What we’re going to be doing is converting this more to a long-term destination. We’re going to be having the casino industry making more of its revenues, perhaps the majority of its revenues, from non-gaming sources. That presupposes people coming with their families, staying for longer periods and buying things beyond just gaming.

RENJ: *Changing the subject, some people say that giving companies incentives to locate and create jobs is too expensive, it’s just throwing money away. Others say, yes, but you get money back. What’s your view?*

FLORIO: It depends. It’s almost site-specific. If you have areas that are depressed, that no one wants to go to, you very well may need tax abatement, things of that sort. The problem is that in some instances, we’ve had areas where that has been done, it has worked and we continue to provide for giveaways when they’re not needed. That’s something you have to be very conscious of.

Jersey City is an area that needed help in the beginning, but that help for real estate developers probably was provided long beyond when it was needed. It’s at the point now where people are fighting to get on the Gold Coast. You have to have some degree of measured understanding of what is a legitimate incentive and what is an inappropriate giveaway.

RENJ: *You’ve been in the public sector and private sector...what are some of the differences in operating, in getting things done?*

FLORIO: There really isn’t that much difference. A good political person will have a certain amount of entrepreneurial skill to advance public policies. Now, in the private sector, what I like to do is understand public policies so as to be able to apply the benefits of those policies to economic development and other legitimate private sector goals.

Smart people in both sectors will do well. Dumb people in both sectors will not do well. So it's not so much the sector as how it is you apply the resources, the skills, the energy that you have.

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