



**ANALYSIS OF THE NEW JERSEY BUDGET**

**COMMERCE, ECONOMIC GROWTH  
AND TOURISM COMMISSION  
AND RELATED ECONOMIC  
DEVELOPMENT PROGRAMS**

**FISCAL YEAR**

**2006-2007**



# NEW JERSEY COMMERCE, ECONOMIC GROWTH AND TOURISM COMMISSION AND RELATED ECONOMIC DEVELOPMENT PROGRAMS

Budget Pages..... C-16; C-23; D-409 to D-415; F-6

## Fiscal Summary (\$000)

	Expended FY 2005	Adjusted. Appropriation FY 2006	Recommended FY 2007	Percent Change 2006-07
State Budgeted	25,205	35,497	184,797	420.6%
Federal Funds	0	0	0	—
<u>Other</u>	<u>1,976</u>	<u>2,815</u>	<u>3,135</u>	<u>11.4%</u>
Grand Total	\$27,181	\$38,312	\$187,932	390.5%

## Personnel Summary - Positions By Funding Source

	Actual FY 2005	Revised FY 2006	Funded FY 2007	Percent Change 2006-07
State	117	115	116	.9%
Federal	0	0	0	—
<u>Other</u>	<u>17</u>	<u>17</u>	<u>17</u>	<u>—</u>
Total Positions	134	132	133	.8%

FY 2005 (as of December) and revised FY 2006 (as of September) personnel data reflect actual payroll counts. FY 2007 data reflect the number of positions funded.

## **Key Points**

- The Governor's FY 2007 budget recommends level continuation State funding of \$19.75 million for the New Jersey Commerce, Economic Growth and Tourism Commission.
- Although the Commission's budget is displayed as a single Grants-In-Aid line of \$19.75 million, budget language specifies the expenditure of \$17.6 million. Of the recommended total, at least the following amounts are allocated for the programs listed: Advertising and Promotion, \$12.76 million, of which \$15,000 is allocated to each of the six regional tourism councils for tourism promotion; Business Retention, Expansion and Attraction, \$2.85 million, of which \$800,000 is allocated for New Jersey Small

## Key Points (Cont'd)

Business Development Centers; New Jersey Israel Commission, \$130,000; and the Travel and Tourism Cooperative Marketing Campaign, \$1.85 million.

- The Governor's budget recommends that interest earned on balances in the Urban Enterprise Zone Assistance Fund, estimated at \$9.6 million, be credited to the General Fund (General Fund Provisions, page F-6).
- The FY 2007 budget recommends \$152 million in Grants-In-Aid funding for the Business Employment Incentive Program (BEIP), replacing debt financing for the program with funding from current revenues. The BEIP provides grants to businesses that relocate or create new jobs in New Jersey, based upon those jobs' estimated income tax value.
- The proposed budget recommends \$517,000 in continuation funding for the New Jersey Motion Picture and Television Development Commission. The Commission promotes the film and television industry in New Jersey by attracting on-location film and television production and serves as a liaison between production companies and federal, State, county and municipal governments and the private sector.
- The Governor's budget recommends \$12.5 million for the New Jersey Commission on Science and Technology, a \$2.7 million decrease from the \$15.2 million FY 2006 appropriation. The entire decrease applies to funding for Science and Technology Grants. According to the Office of Management and Budget, \$1.5 million of this reduction corresponds to funding added during the legislative appropriations process and allocated by the Commission to establish a business incubator at Rowan University. The Commission has stated that it does not expect to offer grants for stem cell research in FY 2007, having awarded over \$5 million in two-year grants for that purpose in FY 2006.

## Fiscal and Personnel Summary

### AGENCY FUNDING BY SOURCE OF FUNDS (\$000)

	Expended FY 2005	Adj. Approp. FY 2006	Recom. FY 2007	Percent Change	
				2005-07	2006-07
<b>General Fund</b>					
Direct State Services	\$919	\$1,098	\$1,098	19.5%	0.0%
Grants-In-Aid	24,286	34,399	183,699	656.4%	434.0%
State Aid	0	0	0	0.0%	0.0%
Capital Construction	0	0	0	0.0%	0.0%
Debt Service	0	0	0	0.0%	0.0%
<b>Sub-Total</b>	<b>\$25,205</b>	<b>\$35,497</b>	<b>\$184,797</b>	<b>633.2%</b>	<b>420.6%</b>
<b>Property Tax Relief Fund</b>					
Direct State Services	\$0	\$0	\$0	0.0%	0.0%
Grants-In-Aid	0	0	0	0.0%	0.0%
State Aid	0	0	0	0.0%	0.0%
<b>Sub-Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Casino Revenue Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Casino Control Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0%</b>	<b>0.0%</b>
<b>State Total</b>	<b>\$25,205</b>	<b>\$35,497</b>	<b>\$184,797</b>	<b>633.2%</b>	<b>420.6%</b>
<b>Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Other Funds</b>	<b>\$1,976</b>	<b>\$2,815</b>	<b>\$3,135</b>	<b>58.7%</b>	<b>11.4%</b>
<b>Grand Total</b>	<b>\$27,181</b>	<b>\$38,312</b>	<b>\$187,932</b>	<b>591.4%</b>	<b>390.5%</b>

### PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

	Actual FY 2005	Revised FY 2006	Funded FY 2007	Percent Change	
				2005-07	2006-07
State	117	115	116	( 0.9%)	0.9%
Federal	0	0	0	0.0%	0.0%
All Other	17	17	17	0.0%	0.0%
<b>Total Positions</b>	<b>134</b>	<b>132</b>	<b>133</b>	<b>( 0.7%)</b>	<b>0.8%</b>

FY 2005 (as of December) and revised FY 2006 (as of September) personnel data reflect actual payroll counts. FY 2007 data reflect the number of positions funded.

### AFFIRMATIVE ACTION DATA

Total Minority Percent	31.0%	31.0%	31.0%	—	—
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**Significant Changes/New Programs (\$000)**

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 2006</u>	<u>Recomm.</u> <u>FY 2007</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
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**ECONOMIC PLANNING AND DEVELOPMENT**

**GRANTS-IN-AID**

**Business Employment  
Incentive Program,  
EDA**

**\$0      \$152,000      \$152,000      —      D-410**

The Governor's proposed FY 2007 budget includes a new appropriation of \$152 million for the Business Employment Incentive Program (BEIP). P.L.2003, c.166 modified the eligibility for BEIP grants and authorized the issuance of State contract bonds by the NJEDA as a source of BEIP funding. As a result, the issuance of up to \$301 million in bonds was approved by the Joint Budget Oversight Committee for BEIP grants from FY 2004 to FY 2007. The State funding of \$152 million will replace debt financing for the program for FY 2007.

**NEW JERSEY COMMISSION ON SCIENCE AND TECHNOLOGY**

**GRANTS-IN-AID**

**Science and  
Technology**

**\$14,050      \$11,350      (\$2,700)      ( 19.2%)      D-414**

According to the Office of Management and Budget, \$1.5 million of the \$2.7 million reduction corresponds to funding added during the Legislative appropriations process and allocated by the Commission to establish a business incubator at Rowan University. The Commission has stated that it does not expect to offer grants for stem cell research in FY 2007, having awarded over \$5 million in two-year grants for that purpose in FY 2006.

## Language Provisions

### 2006 Appropriations Handbook

#### p. B-181

Of the sum hereinabove appropriated for the New Jersey Commerce, Economic Growth and Tourism Commission, not less than \$12,760,000 shall be used for Advertising and Promotion, from which **\$30,000** shall be allocated to each of the six regional tourism councils for regional tourism promotion; \$2,853,000 shall be used for Business Retention, Expansion and Attraction, of which \$800,000 is for New Jersey Small Business Development Centers; \$130,000 shall be used for the New Jersey Israel Commission; and \$1,850,000 shall be used for the Travel and Tourism Cooperative Marketing Program; except that any amount for the Cooperative Marketing Program is available for expenditure only to the extent that an amount equal to 25% of the State funds are expended from funds raised by the Commerce Commission, pursuant to subsection j. of section 9 of P.L. 1977, c.225 (C.34:1A-53), through contributions from private tourism industry concerns and non-State public entities as determined by the Director of the Division of Budget and Accounting. These accounts shall be considered special purpose appropriations for accounting and reporting purposes.

### 2007 Budget Recommendations

#### p. D-413

Of the sum hereinabove appropriated for the New Jersey Commerce, Economic Growth and Tourism Commission, not less than \$12,760,000 shall be used for Advertising and Promotion, from which **\$15,000** shall be allocated to each of the six regional tourism councils for regional tourism promotion; \$2,853,000 shall be used for Business Retention, Expansion and Attraction, of which \$800,000 is for New Jersey Small Business Development Centers; \$130,000 shall be used for the New Jersey Israel Commission; and \$1,850,000 shall be used for the Travel and Tourism Cooperative Marketing Program; except that any amount for the Cooperative Marketing Program is available for expenditure only to the extent that an amount equal to 25% of the State funds are expended from funds raised by the Commerce Commission, pursuant to subsection j. of section 9 of P.L. 1977, c.225 (C.34:1A-53), through contributions from private tourism industry concerns and non-State public entities as determined by the Director of the Division of Budget and Accounting. These accounts shall be considered special purpose appropriations for accounting and reporting purposes.

### Explanation

According to the Commission, this reduction in funding allocated to the six regional tourism councils reflects its intention to phase out their minimum State support in order to challenge the councils to enhance their effectiveness through improved marketing and business plans. Instead, the Commission has proposed to match 4 to 1 the dollars that the councils raise through membership and other methods, up to a maximum of \$200,000 each.

**Language Provisions (Cont'd)**

**2006 Appropriations Handbook**

**2007 Budget Recommendations**

No comparable language.

**p. D-415**

An amount not to exceed 5% of the Science and Technology Grants account is available for transfer to Direct State Services for the administrative expenses of this program, as determined by the Director of the Division of Budget and Accounting.

**Explanation**

This newly recommended language would allow reallocation of up to \$567,500 of Science and Technology grant funding to nearly double recommended appropriations for Commission operating expenses. It is unclear why additional administration funding would be necessary to sustain Commission activities at levels commensurate with available grant funding.

## Discussion Points

### ECONOMIC PLANNING AND DEVELOPMENT

1. The Economic Growth Transition Policy Group report recommended that a new entity be created, the Edison Innovation Alliance (EIA), under the New Jersey Economic Development Authority (NJEDA). According to the report, the purpose of the EIA would be to manage the Edison Innovation Fund (EIF), oversee the State's innovation economy, and develop a technology resource strategic plan. Further, the report indicated that \$300 million in resources would be necessary for the EIF's creation over 5 years: \$50 million in NJEDA resources, \$100 million in State resources, and \$150 million in private sector resources. The EIF would fund research and development, science and technology, technology commercialization, and business opportunities. The FY 2007 budget does not recommend State resources for the EIF.

- **Question:** Please indicate if the NJEDA plans to establish the EIA. Does the NJEDA expect to hire additional staff for the EIA? Explain how the proposed EIF will enhance the State's technology business growth and how the NJEDA will utilize funding from the EIF. Will the new program duplicate other programs or incentives currently provided by the NJEDA or other State agencies? Please describe in detail the programs and goals for the EIF. What are the expected costs of the EIA for FY 2007?

2. The NJEDA recently introduced the new Technium initiative, encouraging technology companies to locate and expand in the State. According to the NJEDA website, Technium offers long-term support to businesses as they advance through their life cycle of growth. The Economic Growth Transition Policy Group report recommended that the Technium concept should be expanded, utilizing proposed EIF resources.

- **Question:** Please indicate the progress of Technium to date. Approximately how many applications have been received for Technium support? Please list the number of grants awarded and the amount of each grant. How would EIF resources expand the Technium concept? Please detail Technium goals for FY 2007.

3. The Business Employment Incentive Program (BEIP) allows the State to award grants to businesses that relocate or create new jobs in New Jersey. P.L.2003, c.166 modified the eligibility for BEIP grants and authorized the issuance of State contract bonds by the NJEDA as a source of BEIP funding. As a result, the issuance of up to \$301 million in bonds was approved by the Joint Budget Oversight Committee for BEIP grants from FY 2004 to FY 2007. The Governor's FY 2007 budget recommends \$152 million for BEIP, replacing debt financing for the program with State funding. According to the budget, income tax revenues generated by BEIP are estimated to exceed the \$152 million in BEIP grant funding (page B-44).

- **Question:** Please indicate the amount of revenue that BEIP is expected to generate in FY 2007. Based on the recommended appropriation of \$152 million, please provide an estimate of the number of grants and grant amounts that this appropriation will fund. How many BEIP grants were awarded in FY 2006? Please provide a summary of each grant agreement and the amount of each grant funded. How many full-time jobs were created or relocated to the State as a result of these grants?

## Discussion Points (Cont'd)

### NEW JERSEY COMMERCE, ECONOMIC GROWTH AND TOURISM COMMISSION

4. Of the Commission's \$19.7 million recommended budget, approximately \$17.6 million would be earmarked for specific purposes through language (page D-413), leaving a balance of approximately \$2.1 million to be allocated at the Commission's discretion.

- **Question:** Please list the programs and amounts that the Commission plans to fund in FY 2007 out of its unrestricted funds. In addition, please provide the same information for FY 2006.

5. The Governor has recently created the Office of Economic Growth (OEG) within the Office of the Governor and has appointed the Chief of the Office. According to the budget, the OEG will work to coordinate State government to expand the State's economy and create jobs (pages B-18 and D-19). The Economic Growth Transition Policy Group report indicates that the Commission will work on a new strategic business plan for New Jersey in conjunction with the OEG.

- **Question:** Has the Commission commenced work with the OEG to develop a new strategic business plan? Please discuss the Commission's relationship with the OEG. How does the Commission envision its role changing with the creation of the OEG?

6. The Economic Growth Transition Policy Group report proposed restructuring the Commission to focus on "general business marketing" and its role as the service center for businesses requiring technical assistance. The report also recommends transferring or consolidating various responsibilities of the Commission elsewhere in State government to such entities as the NJEDA and Department of State. The FY 2007 budget does not display any alterations within the Commission.

- **Question:** Please respond to the report recommendations. How will these modifications alter the Commission's program operations?

7. Gasoline prices are at an all time high, which may effect New Jersey's auto-dependent tourism industry this summer. Evaluation data in the Governor's budget indicates that in FY 2007 an estimated \$33 billion in revenues and \$3.7 billion in tax revenue will be generated by tourism in the State.

- **Question:** What is the expected impact of high gasoline prices this summer? Please discuss the development of tourism campaigns where utilizing mass transit is emphasized.

### NEW JERSEY COMMISSION ON SCIENCE AND TECHNOLOGY

8. The New Jersey Commission on Science and Technology was established pursuant to P.L.1995, c.102. The Commission was established to encourage the development of scientific and technological programs, stimulate academic-industrial collaboration, and coordinate the activities of technological centers and business activities. The Governor's budget recommends \$12.5 million for the Commission, a \$2.7 million decrease from the \$15.2 million FY 2006

## Discussion Points (Cont'd)

appropriation. This decrease is a result of a \$2.7 million reduction in Science and Technology Grants. However, budget evaluation data (page D-413 to D-414) indicate that Commission financial assistance will increase in FY 2007 from \$12.75 million to \$15.75 million.

- **Question:** Please explain how Commission financial assistance outlays can increase in FY 2007 if funding decreases as recommended. Please detail the Commission's accomplishments in FY 2006, including the number of companies supported and assisted through funding incentives. Please provide specific information detailing the recipients of Commission grant funding for FY 2006 and those who are expected to receive these funds in FY 2007. Also indicate amounts each grant recipient received. What are the Commission's goals for FY 2007?

9. The Commission awarded 17 grants totaling \$5 million in December 2005 for stem cell research. Each award was for approximately \$300,000, covering a two-year period. A total of 71 applications were submitted for this funding. According to press reports, if grants lead to economic successes, the State can collect one percent of the profits. Budget evaluation data on page D-414 project a second \$5 million round of grants for FY 2007, and also indicate that no non-State matching funds are expected for other FY 2006 and FY 2007 grants.

- **Question:** Assuming the budget is enacted or proposed, when does the Commission expect to receive and approve applications for FY 2007 stem cell research grants? Will recipients of FY 2006 grants be eligible to apply? Does the Commission weigh more favorably applicants that offer matching funds? If not, please explain why. Were press reports correct as to the State obtaining an interest in any economic returns from these grants? With limited staff, how will the Commission monitor grantees to assure compliance with grant terms and conditions, to evaluate results, and to ascertain whether economic returns are generated in which the State is entitled to share?

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Individuals wishing information and committee schedules on the FY 2007 budget are encouraged to contact:

**Legislative Budget and Finance Office  
State House Annex  
Room 140 PO Box 068  
Trenton, NJ 08625  
(609) 292-8030 • Fax (609) 777-2442**