

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

SENATE, No. 123

STATE OF NEW JERSEY 217th LEGISLATURE

DATED: JUNE 22, 2016

SUMMARY

- Synopsis:** Establishes "Small Business Bonding Readiness Assistance Program" in EDA to assist certain small businesses meet State or federal contract surety bond requirements; transfers \$250,000 annually from enterprise zone assistance fund to program.
- Type of Impact:** Annual loss of revenue from the Enterprise Zone Assistance Fund.
- Agencies Affected:** New Jersey Economic Development Authority (EDA); Department of Community Affairs; New Jersey Urban Enterprise Zone Authority (UEZ Authority); urban enterprise zone (UEZ) municipalities

Office of Legislative Services Estimate

Fiscal Impact	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
Net State Cost	Indeterminate – See comments below		
State and Local Revenue	-\$250,000 – See comments below		

- The Office of Legislative Services (OLS) finds that the bill will result in an annual loss of revenue of \$250,000 from the Enterprise Zone Assistance Fund (UEZ Fund). The EDA will realize an increase in State revenue equivalent to the \$250,000 annual appropriation from the UEZ Fund to the "Small Business Bonding Readiness Assistance Fund" (assistance fund), a special non-lapsing revolving fund created by the New Jersey Economic Development Authority (EDA) under the bill. The OLS finds the annual \$250,000 reduction in funding from the UEZ Fund will have an indeterminate impact on the separate subaccounts of the UEZ Authority and the municipalities where UEZs are located.
- The EDA will realize \$250,000 in annual funding to the assistance fund for the expenses incurred by the EDA to fund the costs of the "Small Business Bonding Readiness Assistance Program" (program) created by bill. Under an agreement with a non-profit business advocacy association (association), the EDA is to provide grant funding to the association for the cost of providing support services to participating small businesses and for assisting those

small businesses in securing surety bonding. The assistance fund is to be used by the EDA to provide grant funding to small businesses that participate in the program, grant funding to an association under the agreement with the EDA, and to administer the program. The cost of providing those services are not known since the amount transferred to subsidize the program may be excessive or inadequate depending on the number of participating small businesses and the cost of the assistance services provided under the program.

- Given the annual transfer of \$250,000 from the UEZ Fund to the assistance fund, the UEZA and UEZ municipalities collectively will incur an annual revenue loss of that amount, but the distribution of the revenue loss will depend on the allocation of the remaining revenues in the UEZ Fund. The impact of the revenue loss is indeterminate given the amount of 3.5 percent sales tax revenue collections in UEZs, which is the source of funding for the UEZ Fund, in future years, is not known.

BILL DESCRIPTION

Senate Bill No. 123 (1R) of 2016 requires the EDA to establish and maintain the “Small Business Bonding Readiness Assistance Program” (program). Under the program, the EDA is to provide support services to small businesses and to assist small businesses in securing surety bonding so that small businesses may bid on public works projects or perform contracts offered by the State or by the federal government. The EDA is to enter into an agreement with an association concerning the association’s provision of support services and assistance to small businesses seeking surety bonding. The support services and assistance provided are to be designed to increase small businesses’ bonding knowledge and capacity in order for small businesses to qualify for surety bonding. The support services and assistance to small businesses are to focus on improving small businesses’ financial presentation, operational efficiency, profitability, and surety bonding capacity and knowledge through a series of workshops and strategic consulting sessions. The bill defines “small business” as a business in this State that qualifies as a “small business concern” under the federal "Small Business Act" for the purpose of the small business’s eligibility for a contract offered by the federal government or for assistance from the United States Small Business Administration.

In order to provide funding for the program, the bill requires the State Treasurer to annually transfer \$250,000 from the UEZ Fund to the assistance fund, a special non-lapsing revolving fund created by the EDA as part of the program. The assistance fund is to be used by the EDA to provide grant funding to small businesses that participate in the program, grant funding to an association under the agreement with the EDA, and to administer the program. In addition to the moneys received by the EDA from the UEZ Fund, the assistance fund may be credited with moneys made available by the EDA for the assistance fund and moneys received by the EDA from any public or private donations.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS finds the bill to have annual loss of revenue of \$250,000 from the UEZ Fund. The EDA will realize a gain in State revenue equivalent to the \$250,000 annual appropriation from the UEZ Fund to the assistance fund created by the EDA under the bill and an offsetting indeterminate increase in costs to administer the program. The Office of Legislative Services finds the resulting annual \$250,000 reduction in funding from the UEZ Fund will have an indeterminate impact on the UEZ Authority and the UEZ municipalities.

The OLS finds that the EDA will realize \$250,000 in annual funding for the expenses incurred by the EDA to fund the costs of the program, from the assistance fund. Under an agreement with a non-profit business advocacy association, the EDA is to provide grant funding to the association for the cost of providing support services to participating small businesses and for assisting those small businesses in securing surety bonding. The assistance fund is to be used by the EDA to provide grant funding to small businesses that participate in the program, grant funding to an association under the agreement with the EDA, and to administer the program. The cost of providing those services are not known since the amount transferred to subsidize the program may be excessive or inadequate depending on the number of participating small businesses and the cost of the assistance services provided under the program.

Current budget language directs all reduced sales tax revenues collected in UEZs to the General Fund. If that language persists in future budgets, there will be no funding source for the program and it is unknown whether the EDA will have the resources to administer the program.

Section: Authorities, Utilities, Transportation and Communications

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This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).