

LEGISLATIVE FISCAL ESTIMATE

[Second Reprint]

SENATE, No. 123

STATE OF NEW JERSEY 217th LEGISLATURE

DATED: JULY 1, 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.
- Type of Impact:** Undetermined cost increase to the New Jersey Economic Development Authority.
- Agencies Affected:** New Jersey Economic Development Authority (EDA)

Office of Legislative Services Estimate

Fiscal Impact	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
State Cost	Indeterminate – See comments below		

- The Office of Legislative Services (OLS) finds that the bill will result in an indeterminate cost increase to the New Jersey Economic Development Authority (EDA). The cost increase to the EDA will be determined by their need to provide adequate funding to administer the "Small Business Bonding Readiness Assistance Fund" (assistance fund) as a funding source under the bill. That need depends on the cost of providing support services to participating small businesses and for assisting those small businesses in securing surety bonding, pursuant to the terms of an agreement with a non-profit business advocacy association, which is to be provided grant funding for providing those services.
- The OLS finds that the EDA will need to provide funding from 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 the 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 depends on the number of participating small businesses and the cost of the support services provided under the program.

- Although the costs to the EDA in providing support services, and the moneys the EDA makes available and receives from any public or private donations to support the assistance fund are unknown, the OLS expects that the EDA would be able to absorb the administrative expenditures related to the establishment and administration of the program and assistance fund within the NJEDA's existing resources.

BILL DESCRIPTION

Senate Bill No. 123 (2R) of 2016 requires the EDA to establish and maintain the "Small Business Bonding Readiness Assistance 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 EDA to establish a special non-lapsing revolving fund 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. 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 that the bill will result in an indeterminate cost increase to the EDA. The cost increase to the EDA will be determined by their need to provide adequate funding to administer the "Small Business Bonding Readiness Assistance Fund" (assistance fund) as a funding source under the bill. That need depends on the cost of providing support services to participating small businesses and for assisting those small businesses in securing surety bonding, pursuant to the terms of an agreement with a non-profit business advocacy association, which is to be provided grant funding for providing those services.

The OLS finds that the EDA will need to provide funding from the assistance fund for the expenses incurred by the EDA to fund the costs of the “Small Business Bonding Readiness Assistance Program” created by the 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 depends on the number of participating small businesses and the cost of the support services provided under the program.

Although the costs to the EDA in providing support services, and the moneys the EDA makes available and receives from any public or private donations to support the assistance fund are unknown, the OLS expects that the EDA would be able to absorb the administrative expenditures related to the establishment and administration of the program and assistance fund within the NJEDA’s existing resources.

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.).