

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE COMMITTEE SUBSTITUTE FOR **SENATE, No. 846**

STATE OF NEW JERSEY

DATED: FEBRUARY 15, 2018

The Senate Budget and Appropriations Committee reports favorably a Senate Committee Substitute for Senate Bill No. 846.

This substitute extends the duration of the first five designated urban enterprise zones (UEZ) and requires the New Jersey Urban Enterprise Zone Authority (authority) to review and issue a report on the UEZ program.

The substitute extends the UEZ designation for certain UEZs located in the cities of Bridgeton, Camden, Newark, Plainfield, and Trenton, commencing on the date the bill is enacted into law and ending on September 30, 2019. The UEZs located in these cities were the first five zones to receive a UEZ designation from the authority in 1983, and UEZ designation for these five zones expired on December 31, 2016.

During the extension, the UEZs in those cities will participate in the UEZ program to the economic benefit of the communities in which the zones are located. Qualified businesses that participate in the program will continue to be eligible for certain UEZ incentives and benefits currently available through the program, including the corporation business tax employees tax credit and the investment tax credit, the sales and use tax exemption for qualified business purchases, and the sales and use tax exemption for energy and utility services, and, if certified, will continue to be permitted to collect the sales and use tax on retail sales made from a place of business located in the zone at one-half the Statewide sales and use tax rate. After a 10 percent dedication of the reduced-rate sales and use tax revenue to the authority, the remaining 90 percent is to be deposited into the General Fund.

The substitute also directs the authority to review and analyze the UEZ program and issue a report on the findings and recommendations to the Governor and the Legislature. The authority is required to complete and transmit the report to the Governor and the Legislature no later than the date that the Governor delivers the budget message for fiscal year 2020 to the Legislature. The report will examine the UEZ program in its entirety, but must specifically address the following: (1) the appropriateness of the criteria evaluated when designating an enterprise zone or UEZ-impacted business district; (2)

any additional criteria that should be considered when making or reviewing an enterprise zone designation; (3) whether the designation of a new, or the de-designation of an existing, enterprise zone or UEZ-impacted business district furthers the goals of the New Jersey Urban Enterprise Zones Act, and if so, the municipalities, zones, or districts that should be designated or de-designated; (4) impediments to obtaining an enterprise zone or UEZ-impacted business district designation, or to de-designating an existing enterprise zone or district; (5) the economic, employment, and demographic effects attributable to the expiration of the first five enterprise zones; (6) business participation rates; and (7) whether an alternative, location-based program to assist fiscally distressed municipalities is appropriate, and if so, the parameters of such a program that would provide a sufficient return on State investment.

FISCAL IMPACT:

The OLS estimates this bill will result in a decrease of state revenue of about \$19.5 million over the six calendar quarters to which the bill pertains, assuming an effective date of April 1, 2018, as follows: FY 2018, about \$3.3 million; FY 2019, about \$13 million; and FY 2020, about \$3.3 million. The revenue loss results from reinstating within the five urban enterprise zones that expired on January 1, 2017 – Bridgeton, Camden, Newark, Plainfield and Trenton - sales taxation at one-half the full tax rate (3.313 percent rather than 6.625 percent). In addition, State expenditures will increase by a total of about \$2 million, from the bill's requirement to deposit 10 percent of sales tax revenue from the retail sales over the same six calendar quarters by qualified businesses within the five zones to the urban enterprise assistance fund, for eventual distribution to the five zones,. The time period over which these funds will be expended will be determined by the New Jersey Enterprise Zone Authority after approval of spending plans, as per current law, and may differ from the time period over which the revenues are deposited. The \$2 million represented by the deposits into the urban enterprise assistance fund will also increase local revenue in these municipalities upon disbursement by the New Jersey Enterprise Zone Authority.