

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

SENATE, No. 2256

STATE OF NEW JERSEY
218th LEGISLATURE

DATED: MARCH 29, 2019

SUMMARY

Synopsis:	Establishes Main Street Assistance Program to encourage business development in small municipalities.
Type of Impact:	Reduction in annual State revenues deposited in the General Fund and the Property Tax Relief Fund. Increase in annual State costs.
Agencies Affected:	New Jersey Economic Development Authority, Department of State, Department of the Treasury, and participating municipalities.

Office of Legislative Services Estimate

Fiscal Impact	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
State Cost		Indeterminate Increase	
State Revenue		Indeterminate Decrease	

- The Office of Legislative Services (OLS) concludes that the enactment of the bill will result in an indeterminate reduction in annual State revenues and an indeterminate increase in annual State costs. The OLS cannot quantify the net fiscal impact of the bill because program participation levels will depend on implementation decisions to be made by the New Jersey Economic Development Authority (EDA) and eligible municipalities.
- The bill will cause an indeterminate annual State revenue loss from providing eligible businesses located in “Main Street areas” with a credit against their Corporation Business Tax (CBT) or Gross Income Tax (GIT) liabilities equal to 15 percent of the cost of eligible employee compensation expenses. The OLS expects these credits to generate additional economic activity that will accrue additional fiscal benefits to the State, but anticipates that the value of these benefits will be less than the State cost of awarding the tax credits.
- The bill establishes the “Main Street Economic Growth and Assistance Fund” for the purpose of issuing loans and loan guarantees to eligible businesses. The revolving fund may be credited with moneys made available by the EDA and other public and private sources. Depending on the performance of the loans and loan guarantees, the impact of the revolving fund’s creation and operation on EDA finances could be a net gain or loss in any given year.

- The EDA will incur additional annual costs associated with program administration and providing technical assistance to qualified businesses through Staff research and time.
- The Office of Local Planning Services in the Department of Community Affairs (DCA) currently administers the Main Street New Jersey program which is similar to the Main Street Assistance Program established by the bill but provides assistance to municipalities. It is not clear how these programs will interact as they are managed by different entities.

BILL DESCRIPTION

The bill establishes in the EDA the “Main Street Assistance Program” to provide financial and technical assistance to businesses located in the “Main Street area” within a “small municipality.” The bill defines a small municipality as a municipality having a population under 20,000 according to the most recent federal decennial census that is over 70 percent developed or any municipality with a population under 11,000 persons, according to the most recent federal decennial census, that is a seat of county government. The bill authorizes the governing body of a small municipality to designate a Main Street area in the municipality. To designate a Main Street area, the governing body is to provide a statement of intent to the EDA setting forth the municipality’s findings concerning the economic conditions in the Main Street area and the municipality’s intentions for addressing them.

For a business to eligible to receive financial and technical assistance from the EDA under the program, at least 15 percent of the full-time employees of the business are to reside within the small municipality. Under the bill, the EDA is to work cooperatively with other State agencies to explore and implement opportunities to direct resources and create enhanced incentives for Main Street area businesses participating in the program. The bill provides CBT credits and GIT credits, equal to 15 percent of the cost of employee compensation expenses, to businesses located in a Main Street area that meet the criteria determined by the EDA.

The bill directs the EDA to establish the “Main Street Assistance Fund” as a means of providing loans, loan guarantees, and technical assistance to area businesses located within a small municipality. The terms of a loan or loan guarantee and the amount provided for technical assistance is at the discretion of the EDA based on the amount of moneys made available for the purposes of the fund. In addition, the bill authorizes the EDA to provide technical assistance grants to improve the economy, appearance, and image of central business districts. The bill requires the EDA to issue an annual report to the Governor and the Legislature on the program.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS concludes that enactment of the bill will result in an indeterminate reduction in annual State revenues and an indeterminate increase in annual State costs.

By using data available through the New Jersey Department of Environmental Protection, the OLS has determined that 164 municipalities will be eligible to participate in the “Main Street Economic Growth Program” because they have a population under 20,000 and are over 70 percent developed. Six additional municipalities will be eligible to participate because they are county seats with a population under 11,000: Mounty Holly Township (Burlington), Woodbury City (Gloucester), Flemington Borough (Hunterdon), Salem City (Salem), Newton Town (Sussex), and Belvidere Township (Warren). However, it cannot be known what portion of those municipalities and what number and type of businesses will participate in the program, because “Main Street area” designations are to be determined by the EDA and eligible municipalities.

The bill will cause an indeterminate annual State revenue loss from providing eligible businesses with a credit against their CBT and GIT liabilities equal to 15 percent of the cost of eligible employee compensation expenses. The OLS expects these credits to generate additional economic activity that will accrue additional fiscal benefits to the State. But given that the tax credits are not subject to a net benefits test requirement, that they do not have to be a material factor in a business’s decision to create or retail jobs in eligible areas; that most businesses in small municipalities are in the retail, restaurant, and service industries and that those businesses have lower CBT or GIT liabilities, the OLS expects that the additional fiscal benefits to the State will be less than the State’s cost of awarding the tax credits.

Moreover, the EDA will incur additional annual costs associated with program administration and providing technical assistance to businesses through staff research and time.

Additionally, the bill establishes the “Main Street Economic Growth Assistance Fund” for the purpose of issuing loans and loan guarantees to eligible businesses. The revolving fund may be credited with moneys made available by the EDA and other public and private sources. Depending on the performance of the loans and loan guarantees, the impact of the revolving fund’s creation and operation on EDA finances could be a net gain or less in any given year. The bill does not require the EDA to provide a minimum annual level of funding for grants and loans.

The OLS notes that the DCA Office of Local Planning Services currently administers the Main Street New Jersey program. According to the department’s website, the Main Street New Jersey Program was established in 1989 to encourage and support the revitalization of downtown areas throughout the State; the program was enshrined into law in 2001 (see P.L.2001, c.238). Although the Main Street New Jersey Program and the Main Street Assistance Program have similar objectives, they are intended to assist different constituencies, municipalities and businesses, respectively. If the bill is enacted into law, these programs would be administered by different State entities and is unclear if, and how, they would interact with each other.

Section: Revenue, Finance, and Appropriations

*Analyst: Scott A. Brodsky
Lead Fiscal Analyst*

*Approved: Frank W. Haines III
Legislative Budget and Finance Officer*

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.).