

# SENATE BUDGET AND APPROPRIATIONS COMMITTEE

## STATEMENT TO SENATE, No. 2256

with committee amendments

# STATE OF NEW JERSEY

DATED: MARCH 18, 2019

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 2256, with committee amendments.

Senate Bill No. 2256, as amended, establishes in the New Jersey Economic Development Authority (EDA) the "Main Street Assistance Program" (program) to provide financial and technical assistance to businesses located in the "Main Street area" within a "small municipality" as that term is defined in the bill. The bill's purpose is to encourage business development in small municipalities having substantially developed commercial areas.

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 existing in the Main Street area and the municipality's intentions for addressing them.

For a business to be 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 Main Street area businesses participating in the program corporation business tax credits and gross income tax credits equal to 15 percent of the cost of employee compensation expenses.

The bill requires the EDA to annually report to the Governor and the Legislature on the program and publish the report on the EDA's Internet website. The report is to include the number, names, and types of businesses participating in the program, the total amount of financial and technical assistance provided to those businesses, the amount of financial and technical assistance received per business, the number of jobs created overall and per business, the amount of capital investment made per business, the total amount of technical assistance grants provided to small

municipalities, and any other information as the EDA determines is necessary to evaluate the progress of the program.

To provide funding for the program, the EDA is to establish the "Main Street Assistance Fund" for providing loans, loan guarantees, and technical assistance to Main Street area businesses participating in the program. The terms of a loan or loan guarantee and the amount of technical assistance is at the discretion of the EDA based on the moneys made available by the EDA for the purposes of the fund. In addition, the EDA may provide technical assistance grants to a small municipality to improve the economy, appearance, and image of its central business district.

#### COMMITTEE AMENDMENTS:

The committee amended the bill to expand the definition of a "small municipality" by including a municipality with a population of under 11,000 persons, according to the most recent federal decennial census, that is a seat of county government.

#### FISCAL IMPACT:

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 the 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 cost associated with program administration and providing technical assistance to qualified businesses through staff research and time.