

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

SENATE, No. 1157 STATE OF NEW JERSEY 219th LEGISLATURE

DATED: JANUARY 22, 2021

SUMMARY

- Synopsis:** Establishes Emerging Technology Urban Grant Program in EDA.
- Type of Impact:** Annual increase in State expenditures and revenues
- Agencies Affected:** New Jersey Economic Development Authority, Department of Labor and Workforce Development.

Office of Legislative Services Estimate

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

- The Office of Legislative Services (OLS) finds that the bill could result in an indeterminate annual increase in State expenditures until the \$80 million grant cap is reached. The bill does not appropriate any monies but rather provides a framework for the establishment of the grant program and expenditure of funds once appropriated.
- The New Jersey Economic Development Authority (EDA) would incur additional costs to administer the grant program, mostly in the form of additional staff and likely under \$1 million, depending upon the amount of staff and other resources needed.
- The State could also realize indirect revenues from businesses participating in the program. The program targets small businesses in a rapidly growing technology sector and requires those businesses to already be experiencing a 20% employment or revenue growth rate in the prior year. These businesses are also required to remain located within the targeted areas for three years beyond the two year award period. The increase in growth facilitated by the grant, and program terms that can keep businesses from relocating, could result in an indeterminate amount of annual State revenue growth from sales, income, and business taxes that would not have been received absent the grant program.

BILL DESCRIPTION

This bill establishes the Emerging Technology Urban Grant Program in the EDA for the purpose of awarding grants to qualifying emerging technology businesses in order to encourage the businesses to locate in one of four urban technology zones to acquire cloud computing services that will facilitate the business's growth and creation of full-time employment. The bill establishes an urban technology zone in Newark, Trenton, Camden, and New Brunswick.

The Chief Executive Officer of the EDA is to approve for grant eligibility an emerging technology business that meets certain requirements provided in the bill. The EDA is to issue payment of the grant upon the submission of proof by an approved emerging technology business that the business has fulfilled the eligibility requirements established pursuant to the bill, has maintained required increases in full-time employment or revenue growth, and any other requirements determined by the EDA. The submission of proof is to be subject to review and audit by the EDA and the Department of Labor and Workforce Development.

This bill provides that the value of the grant is to be up to \$125,000 per quarter for two years, provided that no grantee receives more than \$1 million in grants over the duration of the program. The sum of grants awarded under the program is not to exceed \$80 million, with no more than \$20 million granted to businesses in each urban technology zone.

The bill provides that, in addition to any monies appropriated to the EDA to effectuate the purposes of bill, the program is to also be credited with any additional monies made available by the EDA for the purposes of the program and monies received by the EDA from any public or private source for the purposes of the program.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS finds that the bill could result in an indeterminate annual increase in State expenditures until the \$80 million grant cap is reached. The bill does not appropriate any monies but rather provides a framework for the establishment of the grant program and expenditure of funds once appropriated. In addition to the grants, there would also likely be costs incurred by the EDA to administer the program. Notable program administration costs could include staff to develop program documentation such as applications, reporting documents, and marketing materials; staff time to review applications and verify grantee reporting documents; staff time and materials to distribute marketing materials for the program; and staff time to develop a report on the outcome of the program required under the bill. The program would likely require the EDA to hire one or more staff for the duration of the program. Program management and design staff of this type will likely have an annual salary and fringe benefit cost in the range of \$75,000 to \$150,000 per year. Additional costs would come in the form of any materials needed, notably marketing materials, which could include flyers, brochures, or the distribution of paper or digital advertising targeted at potential grant applicants. It is not possible to determine what choices the EDA will make in regard to staffing and marketing, but \$1 million or less in administrative costs over the life of the program is a reasonable estimate given these cost components.

This grant program is designed to target small technology businesses with strong growth potential. The reason to target those types of businesses is that if they realize that potential, and remain located within the State, these businesses can drive economic growth and generate jobs as well as additional annual State sales, income, and business tax revenues. This program requires a grant recipient to have already grown by 20% or more in the last year in employment or revenues, and the business is required to maintain its headquarters in the designated urban technology zone for the two year grant period and three years afterwards. Therefore, these grants may catalyze faster growth at a business than would have been realized absent the grant, and the program terms can keep fast growing grant recipients in the State that might have otherwise chosen to relocate. When these situations occur, the incremental State tax revenues can be indirectly attributed to the grant program. The amount and timing of when such indirect revenue will be generated cannot be known at this time.

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.).