

Discussion Points

ECONOMIC PLANNING AND DEVELOPMENT

1. PL.2007, c.253 statutorily reorganized and renamed the New Jersey Commerce, Economic Growth and Tourism Commission as the NJ Commerce Commission, as first proposed by Governor Corzine in Reorganization Plan No. 001-2007.

The reorganization transferred the Division of Travel and Tourism and the New Jersey-Israel Commission from the Commerce Commission to the Department of State. It further eliminated the position of Chief Executive Officer and Secretary and replaced it with a non-Cabinet level position of Executive Director. The duties of the former Chief Executive Officer and Secretary are assigned either to the Board of Directors or the newly established Executive Director.

The current Chair of the Board of Directors is the Chief of the Office of Economic Growth. The Office of Economic Growth (OEG) was established in the Governor's office in January, 2006 and was transferred as an office "in but not of" the Department of Treasury by Executive Order #50 in January, 2007. The stated mission of the OEG is to oversee the implementation of the State's "Economic Growth Strategy" and coordinate the State's economic development efforts across all sectors and departments. The Commerce Commission's stated mission is to coordinate State economic development activities among related entities.

The proposed budget appropriates \$2.9 million to the New Jersey Commerce Commission (page D-412); however, in the Budget in Brief (major changes, p. A-35) and in numerous public announcements the Governor has proposed eliminating the Commerce Commission.

- **Question:** a. Please detail how the OEG and the Commerce Commission have shared the mission of coordinating the State's economic development activities since the establishment of the OEG in January, 2006. Please explain the anticipated future role of the Commerce Commission, if any, in light of the Governor's stated intentions. If there is a planned consolidation with the OEG, please explain in detail how the consolidation will result in budgetary savings. How many positions will be funded after any planned consolidation? How does this differ from the number of staff funded in both the Commerce Commission and the OEG in FY2008? Please explain how the OEG, created in 2006, differs from the Commerce Commission, originally created in 1984 as the Department of Commerce and Economic Development.

b. Assuming the Commerce Commission is eliminated, as proposed in the Budget in Brief, please discuss how it is anticipated that the commission (or the functions associated with the commission) will remain accountable to the Legislature with regard to its mission as stated in its enabling legislation.

Answers: a. The Office of Economic Growth leads strategy and coordination for economic development activities across the states departments authorities and commissions.

The Office of Economic Growth (OEG) is responsible for leading the overall development and implementation of economic strategy in the state. OEG oversees the development and implementation of Governor Corzine's comprehensive Economic Growth Strategy and is authorized to

call upon the state's departments, divisions, authorities and agencies for support. The Action Council on the Economy, or ACE, serves as the governance model for this work across departments. Working with 21 state agencies, OEG coordinates the activities of the state government with business.

The Commerce Commission is the front end of the state's business retention and attraction processes. The Commission implements elements of the Governor's Economic Growth Strategy, including elements of Priority 1, Marketing the State. The Commission manages the call center and web site inquiries from businesses, implements the state wide marketing programs and proactively seeks opportunities to support job growth. Additionally, the Commission serves as the state liaison to business associations and works with private organizations to market the state. In partnership with other state agencies, the Commission is responsible for the BRRAG program, the UEZ program, and the Urban Transit Hub Tax Credit program.

The future role of Commerce is being discussed in light of the Governor's stated intentions for consolidation of functions. The design is intended to make the state's economic development functions more effective. The Treasurer will be testifying later this week on budget savings and headcount derived from consolidations. Working with the OEG and the NJEDA, the Commerce Commission will be consolidated into the NJEDA.

b. The Commerce Commission redesign is underway, and when completed we will provide you with a functional redesign including accountability to the legislature.

2. Language provisions in the proposed budget (page D-413) and the Appropriations Act for FY2008 (page B-187) provide that of "any funds appropriated for the Commerce Commission such sums as are necessary will be made available to the Office of Economic Growth."

- **Question: Please indicate the amounts appropriated to the Commerce Commission that were transferred to the OEG in FY2007 and which are anticipated to be transferred in FY2008. Please identify any funds that were used by the Commerce Commission in projects with which the OEG was involved in FY2007 and anticipated in FY2008. Please provide an estimate of the amount of funds recommended for the Commerce Commission in the FY2009 budget that will be transferred to the OEG. Please detail all other (non-Commerce Commission) sources of funding for the OEG for FY2007 and estimated for FY2008.**

Answer: The Deputies Attorney General advise OEG and the Commerce Commission on the appropriate allocation of funds for economic development. Some funds are dedicated to specific uses, and we are guided by the advise of the Deputy Attorney Generals. In FY2007, \$823,665 was transferred to OEG, in FY2008 the anticipated budget transfer is \$1,400,000.

3. The Appropriations Act for FY2008 (page 8-187) and the proposed budget for FY2009 (page D-413) provide that such sums as are necessary may be transferred from the Enterprise Zone Assistance Fund to the Commerce Commission and the Office of Economic Growth in accordance with the provisions of section 11 of P.L.1993, c.367 (C.52:27H-65.1).

- **Question: Please detail the funds transferred under this provision for FY2008 and anticipated to be transferred in FY2009. Be specific with respect to the funds transferred to the OEG versus the Commerce Commission.**

Answer: No funds were transferred from the Enterprise Zone Assistance Fund to the OEG. All of the funds are used by the Commerce Commission for the administration of the UEZ Authority. It is expected that \$2.685 million will be transferred in FY08 and FY08 from the Zone Assistance Fund to the Commerce Commission.

4. The proposed budget reduces by \$2.4 million, or 44%, funding appropriated to the New Jersey Commerce Commission within the Department of Treasury from \$5.4 million in FY2008 to \$2.9 million in FY2009 (page D-412). According to evaluation data in the proposed budget (page D-412): \$1.181 million will be dedicated to the Business Retention, Expansion and Attraction Program, \$800,000 less than the appropriation for FY2008; \$394,000 will be dedicated to export promotion, \$261,000 less than the appropriation for FY2008; and \$1.363 million will be dedicated to other key industries and initiatives, in amounts equal to the same appropriations for FY2008.

• **Question: a. Please detail how the reduction of \$800,000 will affect the Business Retention, Expansion and Attraction Program. What services will not be provided in FY2009? Will there likely be a reduction in staff for this program? What are the goals of the Business Retention, Expansion and Attraction program for FY 2008 and FY2009? Please detail how the \$1.977 million appropriated for FY2008 will be expended.**

b. Please detail how the reduction of \$261,000 allocated to export promotion will affect this program. What services will not be provided in FY2009? Will there likely be a reduction of staff for this program? What are the goals of the export promotion program for FY2008 and FY2009? Please detail how the \$655,000 appropriated for FY2008 will be expended.

c. Please define the "key industries and initiatives" that will receive \$1.363 million in FY2009. Please detail how the funds appropriated for this purpose in FY2008 will be expended.

Answers: a & b. The reductions in funding from the Commerce Commission effect the line items: Business Retention, Expansion and Attraction Programs as well as the Export Promotion program. The consolidation planning underway will detail how the functions and staff will be realigned to continue this work.

c. The key industries targeted by the Governor's Economic Growth Strategy are the financial sector, life sciences, communications, advanced manufacturing, logistics ports and transportation, and energy (efficiency, clean and green). These industries sectors are growing faster than other industry sectors, and have high-wage positions or have a proportionately large percentage of workers in the state relative to other states.

5. The Budget in Brief proposes a \$1 million reduction to the New Jersey Small Business Development Centers (NJSBDC). The NJSBDC received \$1 million in funding through the Commerce Commission's unrestricted funding in FY2008. The NJSBDC were established in 1977 as one of the first national Small Business Development Center pilot projects after the passage of enabling legislation by Congress. At present, the NJSBDC network is composed of the headquarters located at Rutgers Business School: Graduate Programs - Newark and New Brunswick and eleven, full-service, regional centers located throughout the State. The NJSBDC network also includes sixteen affiliate offices located throughout the State.

According to the NJSBDC, their mission is to offer counseling and training for small business owners to finance, market and manage their companies. The NJSBDC also provides opportunities for students to participate in research and get first-hand business experience under the supervision of faculty and business professionals. In 2007, the NJSBDC served nearly 22,000 small business owners through individual counseling and training seminars. In addition, the NJSBDC assisted these clients in receiving \$36.5 million in private and public financing through loans and equity investments.

The NJSBDC are funded by a combination of State and federal funding and in-kind donations. In FY2008, the NJSBDC will receive: \$1 million in State funding; \$2.5 million in federal funding through a Small Business Administration grant that requires a 1 to 1. match of federal to local dollars; \$987,552 in funding from host universities; and, \$528,879 in in-kind donations from the universities. In addition, three local centers receive funding through local agreements for training through the urban enterprise zone program. The local funding is directly tied to the individual centers through these local agreements. If all local funding is held constant from FY2008, the proposed \$1 million decrease in State funding will mean that in FY2009 the NJSBDC may not maximize its federal loan, resulting in a loss of \$831,723 in federal dollars that will not be matched.

- **Question: Does the State plan to maximize the federal funding the NJSBDC currently receives through an alternate source? In light of the proposed reduction in funding, how does the State plan to provide the training and counseling services that have been historically offered through the NJSBDC to individuals and small businesses? Please estimate the reduction in staff likely to occur as a result of the reduction in funding.**

Answer: The state works to maximize the federal funding for programs that provide grants to New Jersey organizations. The budget reductions proposed require all of our economic development organizations to work more effectively. Anticipating the need for doing "more with less", the state launched the ACE Small Business Technical Assistance Team in 2008. No reduction in staff is anticipated. A meeting with SBDC management took place on April 2 and begun discussions on a transition plan.

6. The Budget in Brief proposes a \$450,000 reduction to eliminate the Commerce Commission's Division of Business Services (page A-36). The Division of Business Services was established as a clearinghouse to help, support and promote the development of small, women- and minority owned enterprises. As such, the division has four staff who manage the State's Small Business Enterprise Registration program as well as the Women & Minority-Owned Business Enterprise Certification program. In FY2008, the division was funded from the Commerce Commission's unrestricted funding.

- **Question: What will be the impact of the Governor's budget proposal on the services that have historically been offered through the Division of Business Services? Does the State have an alternate plan to provide small business enterprise registration and women and minority owned business certification? Please estimate the reduction in staff anticipated as a result of the reduction in funding.**

Answer: The Commerce Commission's Division of Business Services has provided certification services to the small, women- and minority-owned enterprises.

In FY 2007, the Governor signed EO 34 establishing the Division of Small, Women- and Minority- owned Business Development which was charged with three priorities: 1) tracking,

monitoring, and reporting of the State's procurement practices, 2) use of technology to proactively connect MWBE providers to the state's procurement opportunities, and 3) setting a basis for the establishment of policies, procedures, and standards to be used and incorporated into the daily operations of State government. The underlying goal of the three priorities was to "open the doors" and ensure equal access for minority- and women-owned enterprises in the State purchasing and procurement process. The Division has made significant progress in each of these priorities.

Earlier this year, the Division was transferred from OEG to the Treasury Department. As part of the Governor's proposed budget, the Business Services functions currently conducted by the Commerce Commission will be transferred to the Department of Treasury in order to ensure the integration of business certification with other business registration and tracking processes.

The Commerce Commission function will be integrated with the ACE team functions across the state to ensure that businesses support for small, minority and women – owned businesses continues to improve.

7. The proposed budget eliminates \$540,000 in funding for the New Jersey Motion Picture and Television Development Commission (commission). The commission was established by P.L.1977, c.44 (C.34:1 B-22 et seq.) in the then Department of Commerce and Economic Development. After the Department's reorganization in 1998, the commission became "in but not of" the Department of Treasury (N.J.S.A.52:27C-86).

The commission's five staff provide technical and logistical support for the production of television and motion pictures in New Jersey. The staff facilitates coordination among television and motion pictures producers, ancillary services to the film industry, State and local municipalities and private locations. According to the commission's Annual Report, since 1978, there have been 13,386 productions completed in New Jersey, steadily increasing from 32 a year in 1978 to 941 a year in 2006. The commission further estimates that this production work generated \$92 million for the New Jersey economy in 2006. The proposed budget includes evaluation data (page D-411) which indicates 995 total film and/or television productions during FY2009 which are expected to generate an estimated total of \$110 million for the New Jersey economy.

In June of 2006, a new tax credit program was implemented that provides a 20% tax credit for film and television production projects produced primarily in New Jersey (P.L. 2005, c. 345 (C.54:10A-5.39 and C.54A:4-12)). The commission is responsible for the initial determination of the applications for these credits. This determination is followed by another review by the Division of Taxation and the New Jersey Economic Development Authority to ensure further eligibility requirements are met. The tax credit program is capped at \$10 million annually pursuant to statute. According to the commission, applications for the program have already met the \$10 million limit for FY2009, FY2010, FY2011 and partially for FY2012.

- **Question: What will be the impact of the Governor's proposed budget on services that have historically been offered through the New Jersey Motion Picture and Television Development Commission? More specifically, who will provide the technical and logistical support that is currently provided through the commission's staff? Please estimate the reduction in staff anticipated as a result of the reduction in funding. Please explain the estimated increase in productions as outlined in the evaluation data (page D-411).**

Answer: TBD

8. The Fort Monmouth Economic Revitalization Planning Authority (FMERPA) was created pursuant to P.L.2006, c.16 (C.52:271-1 et seq.), to develop a comprehensive conversion and revitalization plan for Fort Monmouth after its closure by the federal government in the Base Realignment and Closure Process. The budget recommends a \$150,000 Grants-In-Aid appropriation for the FMERPA (page D-412). FMERPA has an extended deadline of September, 2008 for submission of its comprehensive conversion and revitalization plan. Budget language indicates that additional State funds are appropriated as necessary for FMERPA to secure federal matching funds (page D-413). FMERPA is responsible for funding 10 percent of its budget, with the balance to be provided from federal funds.

- **Question: Please detail the progress that FMERPA has made in developing a conversion and revitalization plan for Fort Monmouth. What is the level of federal funding for FMERPA for federal FY2008 and federal FY2009? What is the level of State funding for FMERPA for FY2008 and estimated for FY2009? Please provide specific funds tied to salaries, programs and grants. What are FMERPA's goals for FY 2009?**

Answers: To date, FMERPA, in conjunction with our planning consultant (EDAW) and in collaboration with the State's advisors and Inter-Agency Team, has created and presented a Preliminary Redevelopment and Reuse Plan for Fort Monmouth. This, the first in a series of three increasingly detailed plan presentations, was revealed on March 19, 2008, before an audience of approximately 350, which included State legislators, County and Municipal elected officials. We anticipate presenting the Draft Reuse Plan in late April. This would support our schedule of having a final Plan available for review by the Governor's Office by July.

FMERPA has a requirement to submit our Plans to the Federal Government by September 8, 2008. An element of that submittal will be our property disposition strategy. This speaks to the manner and means by which the land and its assets could be conveyed to the eventual owners. In the time frame after submittal, FMERPA will continue to examine the disposition alternatives and explore the most favorable potential outcomes for our major stakeholders. The other most significant objective is the pursuit of prospective commercial tenants for the site and the jobs that these tenants will create. The basis for this pursuit will be our Business Retention and Attraction Strategy, which is a Deliverable for our Consultant.

9. The New Jersey Development Authority for Small Businesses, Minorities and Women's Enterprises (NJDA) was established pursuant to section 33 of PL.1984, c.218 (C.5:12-181 et seq.) to assist in providing financing and other services to eligible businesses. The NJDA was initially established in the then Department of Commerce and Economic Development. After the Department's reorganization in 1998, the NJDA became an authority "in but not of" the Department of Treasury (C.52:27C-81).

PL.1984, c.218 also required the Casino Reinvestment Development Authority (CRDA) to set aside \$1.2 million annually from the sale of bonds, beginning in 1984 and continuing through December 31, 2008, for investment in obligations for the NJDA. In the 24 years since enactment, the NJDA could have realized up to \$28.8 million in funding from the CRDA through this mechanism.

According to the New Jersey Economic Development Authority (EDA), due to "legislative technicalities and stringent underwriting requirements mandated by the CRDA authorizing act, the bonding mechanism has not been utilized fully." The total funding due from the CRDA, \$28.8 million, has not been received by

the NJDA. As of February, 2008, there were \$16.6 million dollars remaining due the NJDA from the CRDA.

In 1996, the CRDA approved Resolution No. 96-30, to pay quarterly interest earned on the funds reserved for the NJDA, on deposit at the CRDA. The interest payments to the NJDA from 1999 to 2005 totaled \$1.04 million. At the request of the CRDA, the EDA agreed to waive the receipt of interest on funds held by the CRDA for the benefit of the NJDA.

According to the EDA, at present the NJDA is funded by the EDA at approximately \$350,000 a year. These funds are used for financial assistance, entrepreneurial training, and business mentoring activities to support small business development and growth.

- **Question: Please detail the activities of the NJDA for FY2007, FY2008 and planned for FY2009. Please provide details on the future of the NJDA and its efforts to date to fully realize its funding potential from the CRDA. Please discuss what, if any, legislative changes may be needed to fully utilize the bonding mechanism on behalf of the NJDA.**

Answer: In FY2007, the EDA closed 4 NJDA loans to small businesses for a total of \$373,976, supporting the creation of 19 new jobs. The loans included:

- Three Scoops Marina, LLC, Atlantic City, \$80,000
- All About Hair Salon, Lumberton, \$60,000
- Access Capital International Corp., Pert Amboy, \$120,000
- Harding HVAC Supply, LLC, Pittgrove Township, \$113,976

In FY2007, through the NJDA, EDA also provided small, minority-, and women-owned businesses with entrepreneurial training opportunities through workshops, courses and mentoring activities offered as part of the fall session in August, September, October and November 2006 and as part of the spring session in February, March, April and May 2007. As a result, 2,295 aspiring entrepreneurs were assisted. Coursework included small-business feasibility, examining business ideas, evaluating skills and risks, identifying the resources necessary to move forward, and developing a formal business plan. In addition, 2,238 aspiring entrepreneurs utilized NJDA's web-based self-assessment tool available on the EDA's web site.

To date in FY2008, the EDA closed 1 NJDA loan to Shore Arthritis and Rheumatism Associates, Ocean Township (Monmouth) for \$70,000. The project involved the creation of 4 new jobs.

In FY2008, through the NJDA, EDA provided small, minority-, and women-owned businesses with entrepreneurial training opportunities through workshops, courses and mentoring activities offered as part of the fall session in August, September, October and November 2007. As a result, 3,084 aspiring entrepreneurs were assisted. Identical to previous years, coursework included small-business feasibility, examining business ideas, evaluating skills and risks, identifying the resources necessary to move forward, and developing a formal business plan. In addition, 3,692 aspiring entrepreneurs utilized NJDA's web-based self-assessment tool available on the EDA's web site.

The EDA is in the process of evaluating the structure of how the Authority offers entrepreneurial training and technical assistance to enable us to provide these services more efficiently and effectively by leveraging our efforts with those of other entrepreneurial training/technical assistance providers. It is expected that an alternative delivery model for these

services will be in place by the end of the year.

Due to the lack of funds for NJDA, EDA has taken steps to ensure that small, minority- and women-owned businesses have other opportunities for financing. To that end, in 2006, EDA created the ***FastStart for small business*** program. This new EDA loan product makes low-interest, fixed-asset financing up to \$300,000 available to eligible credit-worthy companies operating in the State for at least one year. Loan approvals are based partially on guarantor credit scores. Other underwriting criteria is used to evaluate loan applications, including the applicant's financing history, lien positions and real estate market value. Prospective borrowers benefit from an expedited review and approval process that can shorten the time between application and closing.

Due to the stringent underwriting requirements mandated for the CRDA in N.J.S.A. 34:1B-57, as well as the funding requirements for NJDA projects outlined in N.J.S.A. 5:12-181, the bonding mechanism for CRDA funding of small, minority-, and women-owned businesses has not been utilized to provide project financing.

The requirement contained in N.J.S.A. 5:12-181, to set aside \$1.2 million for the purpose of investing in small, minority-, and women-owned businesses terminates in 2008. If the Legislature is interested in pursuing changes to allow the NJDA to benefit from CRDA-derived funding, the following recommendations are suggested:

- Revise the CRDA and NJDA statutes to mitigate the onerous effects of the usage restrictions, particularly those cited in N.J.S.A. 5:12-181 that require a guaranteed rate of return, as well as geographical or project funding by percentage for small, minority-, and women-owned businesses.
- Assuming above, extend the term beyond 2008 to allow for continued funding.

10. Governor Corzine issued Executive Order #34 in September 2006 establishing the Division on Small, Women and Minority Business Development in the Office of Economic Growth and subsequently transferred the division to the Department of Treasury in December 2007. The purpose of the division is "to administer and monitor policies, practices and programs that will further the State's efforts to ensure equal opportunity for minority- and women-owned business enterprises to participate in State purchasing and procurement processes." The New Jersey Development Authority for Small Businesses, Minorities and Women's Enterprises (NJDA) was established pursuant to section 33 of P.L.1984, c.218 (C.5:12-181 et seq.) and was transferred as an authority "in but not of" the Department of Treasury during the reorganization of the Department of Commerce and Economic Development, pursuant to P.L.1998, c.44 (C.52:27C-81 et seq.) to assist in providing financing and other services to small businesses, minorities and women's enterprises.

- **Question: Please discuss what, if any, collaboration is occurring or is anticipated to occur between the New Jersey Development Authority for Small Businesses, Minorities' and Women's Enterprises and the Division on Small, Women and Minority Business Development.**

Answer: The NJDA and Office of Economic Growth's Div. of Small, Women and Minority Business Development (SWMBD) that was recently moved into the Department of Treasury, collaborate regularly in supporting small, women and minority businesses in New Jersey, but focus in two

different areas.

The NJDA provides financing and technical assistance to service start-up and expanding small businesses, which includes referrals to industry experts, appropriate financing opportunities, and knowledgeable resources on business operations.

Examples of collaboration include cross-referrals, co-marketing to inform the SWMBE's of services available throughout the State, and development of tools and resources to assist these businesses (both electronic and in-person). The small business focus of the state's business portal (<http://www.nj.gov/njbusiness/>), initiated in 2007, is the most recent result of collaboration between NJDA and the Division of SWM Business Development. Currently under development collaboratively is a web-based, customer-focused navigation map to assist the small business owner in identifying what assistance they need and to access that resource easily.

11. The Business Employment Incentive Program (BEIP), created pursuant to P.L.1996, c.26 (C.34:1 B-124 et seq.) allows the State to award grants to businesses that relocate or create new jobs in New Jersey. The New Jersey Economic Development Authority (EDA) awards BEIP grants for up to 10 years and the grants can range between 10% and 80% of the total amount of state income taxes withheld by the company during the calendar year in which the new employees are hired. The proposed budget recommends an appropriation of \$179 million for BEIP (page D-412), a \$27 million increase. This increase is intended to match the grant funding levels as the recipients provide documentation for increased employee retention.

Evaluation data for BEIP in the proposed budget (page D-411) estimates that there will be 381 grants distributed in FY2009 at a cost of \$234 million. This is approximately \$55 million more than the proposed FY2009 appropriation for BEIP.

- **Question: a. Please itemize by current BEIP recipients the expenditures for FY2007, thus far for FY2008 and an estimate of needed appropriation for FY2009, FY2010, FY2011, and FY2012. Please detail the anticipated source of the needed funding.**
 - b. Please provide the level of appropriation anticipated to fund new BEIP recipients in FY2010, FY2011, and FY2012. Please detail the anticipated source of the needed funding.**
 - c. Please detail the source of the approximately \$55 million in excess anticipated funding for BEIP for FY2009.**

Answer: a. The total disbursements (expenditures) for FY2007 is \$150.7 million and is itemized by current BEIP recipients, included as Attachment 1 – BEIP Disbursements By Year, 07/01/06 to 06/30/07; and, the total expenditures to date for FY2008 is \$138.1 million, included as attachment 2 – BEIP Disbursements By Year, 07/01/07 to 03/31/08. The EDA estimates approximately \$50 million as projected for disbursement through the end of FY2008 for a total of \$189 million in BEIP disbursements.

The projected estimate of needed disbursement for FY2009 through 2012 is as follows: FY2009 – \$238.9 million, FY2010 – \$250.8 million, FY2011 – \$263.3 million and FY2012 – \$276.5 million. Note: the projected estimates of needed disbursement for FY2009-FY2012 are based on a conservative calculation using current disbursement projections for FY2008, i.e. the projections assume that all current BEIP recipients remain qualified for BEIP grants and report full activity regarding new jobs created and withholdings paid, as approved at application.

The anticipated source of the needed funding is state appropriations through the general fund.

b. The level of appropriation anticipated to fund new BEIP recipients, i.e. that closed between 01/01/07 to 3/31/08, is estimated at \$17.75 million and is incorporated in the projected estimates for FY2010, FY2011 and FY2012 listed above. The anticipated source of the needed funding is state appropriations through the general fund.

c. As noted above, the projected estimate for needed expenditures for BEIP are based on full-participation in the program by all eligible companies, as well as additional companies approved for BEIP disbursements, which may qualify for disbursements in future years. In FY2008, the EDA projection for needed disbursements was \$209.5 million and the actual anticipated amount is expected to be approximately \$189 million. The estimate for FY2009 of \$238.9 million is a projection prepared in March 2008 based on current program activity.

Therefore, the \$55 million difference in the proposed FY2009 appropriation of \$179 million and the projected anticipated need of \$238 million is likely, significantly less than estimated. However, the EDA will continue throughout the fiscal year to work with the Office of Management and Budget (OMB) to ensure that BEIP is funded at necessary levels through state appropriations.

12. P.L. 2003, c.166 (C.34:1B-139.1 et seq.) authorized the New Jersey Economic Development Authority (EDA) to issue bonds, backed by a State contract, and subject to approval by the joint Budget Oversight Committee, to fund the payment of BEIP grants. The EDA received \$87.7 million in FY2005 and \$156 million in FY2006 from these bond proceeds. The proposed budget appropriates \$40.5 million from the General Fund (page D-461) for debt service on these bonds for FY2009.

- **Question: Please provide the level of General Fund appropriation for debt service on the BEIP obligations for FY2007, FY2008, and an estimate for FY2009, FY2010, FY2011 and FY2012.**

Answer: The level of General Fund appropriation for debt service on BEIP obligations for the listed years is as follows: FY2007 – \$55.5 million, FY2008 – \$57.4 million, FY2009 – \$47.6 million, FY2010 – \$39.7 million, FY2011 – \$38.7 million, and FY2012 – \$38.4 million.

NEW JERSEY COMMISSION ON SCIENCE AND TECHNOLOGY

13a. The New Jersey Commission on Science and Technology (CST) was established pursuant to P.L.1985, c.102 (C.52:9X-1 et seq.) in the then Department of Commerce and Economic Development. After the Department's reorganization in 1998, the CST became a commission "in but not of" the Department of Treasury (C. 52:27C-85).

The CST was established to encourage the development of scientific and technological programs, stimulate academic-industrial collaboration, and coordinate the activities of technology centers and business activities.

The proposed budget recommends \$20.3 million for the CST: \$448,000 for the commission and \$19.9 million for Grants-in-Aid. This is a \$2.8 million decrease from the level of funding approved in the

Appropriations Act for FY2008. The decrease represents a \$100,000 decrease in funds appropriated to the CST, a \$2.1 million decrease in funds appropriated to Science and Technology Grants-in-Aid and a \$600,000 decrease in funds appropriated to the New Jersey Manufacturing Program.

Analysis of the proposed budget indicates that the \$100,000 decrease in funds appropriated to the CST is primarily from funds dedicated to salaries and wages.

- **Question: What will be the impact on services that have been offered through the Commission on Science and Technology because of the proposed \$100,000 reduction in funding? Please estimate the reduction in staff likely to occur as a result of the reduction in funding.**

Answer: Since May of 2006 the staff of the Commission on Science and Technology has not exceeded five full time employees. Previously, the Commission has had the ability to maintain a staff of up to seven people. The reduction of \$100,000 from the administrative budget will prevent the hiring of at least one senior level staff member and may reduce the amount available in bringing on a second level senior staff member.

There is an expectation that a new Executive Director for the Commission will be named in the coming months. The proposed reduction will directly affect their hiring abilities. More specifically, it is believed that the Commission will not have the option of hiring new employee with Ph.D. level background in life science and who would be responsible for the Commission's stem cell research grant program. Currently, this program is administered by the Commission's Acting Executive Director.

13b. The Budget in Brief references a \$1.5 million decrease to the CST Grant program (page A-35) and the proposed budget recommends a \$2.1 million decrease to CST's Grants-in-Aid appropriation (page D-415) from \$21.98 million in FY2008 to \$19.88 million in FY2009.

However, evaluation data for the CST in the proposed budget (page D-414) does not reconcile with recommended FY2009 funding. Evaluation data projects over \$22.9 million in funding from the CST grants in FY2009, as follows: Technology business incubator network (\$2.92 million); Small Business Innovative Research Bridge Grant Program (\$650,000); New Jersey Technology Fellowships (\$2.4 million); Edison Innovation Research and Development Fund (\$4 million); Industry-University Collaboration (\$1 million); Centers of Excellence Program (\$2 million); and Stem Cell Research (\$10 million). In total, these amounts equal \$22.9 million, or \$3.06 million more than proposed appropriation of \$19.88 million (page D-415)

- **Question: a. Please explain the discrepancy between the projected funding of the CST Grants-in-Aid in the evaluation data (page D-414) and recommended FY2009 funding.**
b. Please detail the department's plans for funding the CST grant program in FY2009 by programmatic spending category as shown on page D-414 of the proposed budget. Please comment on the effect of the proposed reductions in funding the CST grant program, specifically by programmatic spending category as shown on page D-414. Please estimate the reduction in staff anticipated as a result of the reduction in funding.

Answer: b. The proposed FY2009 budget for the Commission indicates a reduction of \$2.1 million. Of this reduction \$600,000 will be eliminated from the NJMEP program which will eliminate all

Commission support for this program. This program does receive federal funds as well as fees for services provided.

Of the remaining \$1.5 million, reductions will be made to several of the Commission's programs.

A reduction of \$500,000 will be made to the University Intellectual Property Program. This will reduce the funding of this program to \$500,000 and will reduce the Non-State Matching Funding by \$500,000. It is expected that five universities will still receive support, but at a significantly reduced level.

A reduction of \$500,000 will be made to the Small Business Innovative Research Grant Program which will eliminate direct support for ten companies. This will leave \$200,000 of funding for this program that will be used to fund the training portion of this program and up to three companies.

A reduction of \$100,000 will be made to the Incubator Seed Fund Program which will eliminate direct support for two companies. This will leave \$400,000 of funding for this program which can support up to eight companies.

A reduction of \$400,000 will be made to the Business Incubator (Technology Incubator) Program. This will not result in a reduction of incubators supported, but will prevent the Commission from supporting new facilities and may reduce the overall amount available to these facilities.

There will be a reduction of two positions, but no headcount reductions in Commission staff.

13c. The Budget in Brief references a decrease of \$1.2 million in funding for the New Jersey Manufacturing Extension Program (NJMEP) (page A-35), while the budget proposes a decrease of \$600,000 in funding for the NJMEP (page D-415).

However, the evaluation data in the proposed budget (page D-414) indicates that the NJMEP received \$1.2 million in funding from the Commission on Science and Technology in FY2008 and will continue to receive \$1.2 million in funding in FY2009. It further states that 190 companies were supported in FY2008 and 250 companies are estimated to be supported in FY2009 through the NJMEP.

According to the NJMEP, it provides manufacturers in the State with technical and business assistance through a variety of ways tailored to each company's individual need. A portion of the assistance services is provided as a fee based service. The NJMEP's goal is to assist "manufacturers to become more profitable, productive and globally competitive."

The NJMEP is funded through three main sources in FY2008: State funding (\$1.2 million); federal funding through the Department of Commerce (\$1.7 million); and fees on services provided (\$3.4 million). According to the NJMEP, of the \$3.4 million in fees on services provided, approximately 45%, or \$1.53 million, is received by the NJMEP through manufacturers for providing "Customized Training" to their employees. Customized Training Grants are competitively awarded grants funded through the Department of Labor and Workforce Development to upgrade the skills of workers to make them more marketable and their employers more competitive in the global economy. The grant program is funded through the New Jersey Workforce Development Partnership Fund, located in the Department of Labor and Workforce Development.

- **Question: Please detail the department's plans for funding the NJMEP in FY2009. Please indicate how the department plans to provide the services to the estimated 250 companies in FY2009 in light of the proposed reductions in funding. Please estimate the reduction in staff likely to occur as a result of the reduction in funding.**

Answer: The Commission will not directly fund the NJMEP in FY2009. The NJMEP can apply for grants through the CST and other state programs. No services are currently provided to the companies utilizing NJMEP support. There will be no reduction in Commission staff as a result of the elimination of this program