

ANALYSIS OF THE NEW JERSEY
FISCAL YEAR 2001 - 2002 BUDGET



NEW JERSEY COMMERCE AND ECONOMIC
GROWTH COMMISSION
AND RELATED ECONOMIC DEVELOPMENT PROGRAMS

PREPARED BY

OFFICE OF LEGISLATIVE SERVICES

NEW JERSEY LEGISLATURE

MAY 2001

NEW JERSEY STATE LEGISLATURE

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NEW JERSEY COMMERCE AND ECONOMIC GROWTH COMMISSION AND RELATED ECONOMIC DEVELOPMENT PROGRAMS

Budget Pages..... C-20; D-464 to D-471

Fiscal Summary (\$000)

	Expended FY 2000	Adjusted. Appropriation FY 2001	Recommended FY 2002	Percent Change 2001-02
State Budgeted	\$42,363	\$58,443	\$57,828	(1.1)%
Federal Funds	0	0	0	—
<u>Other</u>	<u>1,462</u>	<u>2,405</u>	<u>2,405</u>	<u>0.0%</u>
Grand Total	\$43,825	\$60,848	\$60,233	(1.0)%

Personnel Summary - Positions By Funding Source

	Actual FY 2000	Revised FY 2001	Funded FY 2002	Percent Change 2001-02
State	126	131	136	3.8%
Federal	0	0	0	—
<u>Other</u>	<u>13</u>	<u>12</u>	<u>12</u>	<u>0.0%</u>
Total Positions	139	143	148	3.5%

FY 2000 (as of December) and revised FY 2001 (as of September) personnel data reflect actual payroll counts. FY 2002 data reflect the number of positions funded.

Introduction

The Department of Commerce and Economic Development was abolished pursuant to P.L. 1998, c. 44 on August 31, 1998. In its place, the New Jersey Commerce and Economic Growth Commission was established "in but not of" the Department of the Treasury. P.L. 1998, c. 44 stipulates that the duties of the new Commission are to coordinate, under one organization, the State's economic development efforts which include, but are not limited to, business advocacy, international trade, account management, economic development, maritime resources, sustainable businesses, travel and tourism, the urban enterprise zone (UEZ) program, and the development of small, women and minority-owned businesses.

Introduction (Cont'd)

The Commission is responsible for coordinating State economic development activities among related entities. These related entities include, but are not limited to: the New Jersey Commission of Science and Technology; the New Jersey Economic Development Authority; the New Jersey Urban Enterprise Zone Authority (UEZ); the Motion Picture and Television Development Commission; and the New Jersey Development Authority for Small Businesses, Minorities' and Women's Enterprises. In addition to its relationship with the above organizations, the Commission also has authority to enter into memoranda of understanding or other cooperative agreements with independent entities such as the Atlantic City Convention Center Authority, the Dredging Project Facilitation Task Force and the Economic Development Site Task Force. The Chief Executive Officer of the Commission has the statutory authority to appoint the executive directors of the New Jersey Commission on Science and Technology, the New Jersey Economic Development Authority and the Motion Picture and Television Development Commission.

The above tables include funding and position data that are budgeted in the Department of Treasury but are organizationally more closely affiliated with the New Jersey Commerce and Economic Growth Commission. The table below breaks out the summary table on the previous page.

New Jersey Commerce and Economic Growth Commission and Related Economic Development Programs (\$000)			
	Expended FY 2000	Adjusted Appropriation FY 2001	Recommended FY 2002
New Jersey Commerce and Economic Growth Commission			
State Budgeted	\$16,665	\$21,676	\$21,036
Other	<u>1,462</u>	<u>2,405</u>	<u>2,405</u>
Subtotal	\$18,127	\$24,081	\$23,441
Economic Planning and Development			
State Budgeted	<u>\$6,738</u>	<u>\$12,205</u>	<u>\$12,230</u>
Subtotal	\$6,738	\$12,205	\$12,230
New Jersey Commission on Science and Technology			
State Budgeted	<u>\$18,960</u>	<u>\$24,562</u>	<u>\$24,562</u>
Subtotal	\$18,960	\$24,562	\$24,562
Grand Total	\$43,825	\$60,848	\$60,233

Introduction (Cont'd)

Included in this analysis are appropriations made to the following programs which appear on pages D-464 to D-471 in the Department of Treasury.

New Jersey Commerce and Economic Growth Commission - \$23.4 million

- Urban Enterprise Zone
- New Jersey Development Authority for Small Businesses, Minorities' and Women's Enterprises
- Office of Sustainability
- Travel and Tourism
- Prosperity New Jersey, Inc.
- New Jersey Israel Commission

Economic Planning and Development - \$12.2 million

- Motion Picture and Television Development Commission
- New Jersey Economic Development Authority

New Jersey Commission on Science and Technology - \$24.6 million

- Research and Development programs
- Business Assistance
- New Specialized Incubators
- Technology Transfer Program

Key Points

NEW JERSEY COMMERCE AND ECONOMIC GROWTH COMMISSION

- The Governor's FY 2001 Budget recommends State funding of \$21.0 million for the New Jersey Commerce and Economic Growth Commission, a 3 percent decrease in total funds available over the prior fiscal year.
- Of the \$21.0 million in State funds recommended for the Commission, approximately \$20.5 million is a Direct State Services special purpose appropriation for the Commission's programs and \$550,000 is for the Prosperity New Jersey, Inc. Grants-In-Aid program. Prosperity New Jersey, Inc. is a public-private partnership designed to retain jobs and expand job opportunities in the State.
- The \$20.5 million recommended special purpose appropriation for the New Jersey Commerce and Economic Growth Commission is a \$275,000, or 1.3 percent, decrease over the FY 2001 adjusted appropriation. This decrease represents the elimination of \$200,000 for international trade expenses, although the Executive has indicated the International Trade Program will fund trade missions through receipts collected by participating New Jersey businesses. A \$75,000 one time appropriation is eliminated for the New Jersey Business Resource Center development costs. According to the Executive, the New Jersey Business Resource Center is scheduled to receive the necessary funding for upgrades to the network infrastructure from the Office of Information Technology.
- A Grants-In-Aid reduction of \$365,000 reflects the elimination of legislative initiatives that are not continued.

Key Points (Cont'd)

- Although the Commission's budget is displayed as a single special purpose line, budget language directs the expenditure of \$17.2 million. Of the recommended \$20.5 million, no less than the following amounts are allocated for the programs listed: Office of Sustainability (\$550,000); Advertising and Promotion (\$8.5 million); Business Retention, Expansion and Attraction (\$3 million); Travel and Tourism Cooperative Marketing Program (\$1.9 million); business marketing campaign coordinated with Prosperity New Jersey, Inc. (\$2 million); Community Development Bank (\$1 million); Business Information - Call Management Center (\$25,000); New Jersey Israel Commission (\$130,000); Promotion of Agricultural Exports (\$150,000).
- The Governor's Budget recommends new budget language that would transfer \$9.5 million (page F-8) from certain Urban Enterprise Zone municipal accounts (including Bridgeton, \$630,185; Camden, \$637,659; Millville, \$409,858; Newark, \$3,976,276; Plainfield, \$928,227; Trenton, \$1,383,945; Vineland, \$1,612,867) to the General Fund. According to the Executive, these accounts were "over-reimbursed" under a prior language provision which entitled certain municipalities to be made whole for amounts transferred from the UEZ assistance fund to the General Fund as State revenue in FY 1995.
- The Governor's Budget recommends the transfer of interest earned in FY 2002 on balances in the Urban Enterprise Zone Assistance Fund to support the following programs as a "first" source of revenue: Urban Coordinating Council, \$6,000,000; Safe and Secure Neighborhoods, \$3,600,000; Municipal Mobile Video Recorders, \$2,917,000; Local Unit Budget and Accounting Reporting System, \$1,500,000; Playground Safety, \$1,000,000. The assistance fund, which is comprised of individual UEZ municipal accounts, is estimated to earn approximately \$12.1 million in investment earnings in FY 2002.

ECONOMIC PLANNING AND DEVELOPMENT

- Funding of \$430,000 is recommended for the Motion Picture and Television Development Commission, a \$25,000 or 6.2 percent increase. The increase in the Commission's budget is intended to update the program's computer database and hire additional part-time staff in order to expand its promotional efforts.
- The Governor's Budget recommends continuation funding of \$4.3 million for the Brownfield Site Reimbursement Fund, although the FY 2001 supplemental appropriation has yet to be enacted. The purpose of this fund is to reimburse certain developers for the costs of remediation.

NEW JERSEY COMMISSION ON SCIENCE AND TECHNOLOGY

- Continuation funding of \$24.6 million is recommended for the New Jersey Commission on Science and Technology. Of the total recommended appropriation, \$657,000 is for the administrative expenses of the Commission and \$23.9 million is recommended for Grants-In-Aid.

Background Paper:

- Community Development Bank: A Progress Report

p.26

Program Description and Overview

1998 REORGANIZATION

The Department of Commerce and Economic Development was abolished pursuant to P.L. 1998, c. 44 on August 31, 1998. The New Jersey Commerce and Economic Growth Commission was established in its place and is "in but not of" the Department of the Treasury.

P.L. 1998, c. 44 stipulates that the duties of the new Commission are to coordinate, under one organization, the State's economic development efforts which include, but are not limited to, business advocacy, international trade, account management, economic development, sustainable businesses, travel and tourism, the urban enterprise zone (UEZ) program, and the development of small, women and minority-owned businesses.

The Commission consists of a 13 member board of 11 voting and two non-voting advisory members. The board is chaired by the Governor and consists of six ex officio members and five public members. In addition to the Governor, the ex officio members are: the Chief Executive Officer/Secretary of the Commission; the Commissioners of Environmental Protection, Labor, Transportation; and the Chair of the New Jersey Commission on Higher Education. The two non-voting advisory members, one each from the membership of the Senate and the General Assembly, are appointed solely to assist in developing and facilitating legislation to assist the commission in fulfilling its statutory mission. The Chief Executive Officer/Secretary of the Commission serves as a member of the Governor's Cabinet.

The Commission is responsible for coordinating State economic development activities among related entities. These related entities include, but are not limited to: the New Jersey Commission on Science and Technology; the New Jersey Economic Development Authority; the New Jersey Urban Enterprise Zone Authority (UEZ); the Motion Picture and Television Development Commission; and the New Jersey Development Authority for Small Businesses, Minorities and Women's Enterprises.

In addition to its relationship with the above organizations, the Commission also has authority to enter into memoranda of understanding or other cooperative agreements with independent entities such as the Atlantic City Convention Center Authority and the Economic Development Site Task Force. The Chief Executive Officer of the Commission has the statutory authority to appoint the executive directors of the New Jersey Commission on Science and Technology, the New Jersey Economic Development Authority, and the Motion Picture and Television Development Commission.

NEW JERSEY COMMERCE AND ECONOMIC GROWTH COMMISSION

The Governor's budget recommends a \$20.4 million Special Purpose appropriation for the **New Jersey Commerce and Economic Growth Commission**, a \$275,000 or 1.3 percent decrease below the FY 2001 adjusted appropriation. This decrease represents the elimination of \$200,000 for international trade expenses. However, the Executive has indicated the International Trade Program will fund trade missions through receipts collected by participating New Jersey businesses. A \$75,000 one time appropriation is also eliminated for the New Jersey Business Resource Center network infrastructure development costs. According to the Executive, the New Jersey Business Resource Center is scheduled to receive the necessary funding for upgrades to the network infrastructure from the Office of Information Technology.

Program Description and Overview (Cont'd)

According to the Budget in Brief, the budget continues a \$4 million increase to promote New Jersey's travel and tourism industry and \$1 million for Prosperity New Jersey to market the State as the best place to locate a business. Funding is provided for 135 positions in FY 2002, of which 123 positions are State-supported and 12 positions are supported from other sources.

The Governor's budget includes language which directs the allocation of not less than \$17.17 million of the \$20.486 million of the Direct State Services appropriation to the New Jersey Commerce and Economic Growth Commission. The following amounts are allocated for the following activities:

Program	FY 2001 Adj. Approp.	FY 2002 Recommended
Office of Sustainability	\$550,000	\$550,000
Advertising and Promotion	8,450,000	8,450,000
Business Retention, Expansion and Attraction	3,015,000	3,015,000
Travel and Tourism Cooperative Marketing Program	1,850,000	1,850,000
Business Marketing Campaign - Prosperity NJ	2,000,000	2,000,000
Community Development Bank	1,000,000	1,000,000
Business Information - Call Management Center	25,000	25,000
Business Resource Center	75,000	0
Trade and Investment Events	200,000	0
New Jersey Israel Commission	130,000	130,000
Promotion of Agricultural Exports	<u>150,000</u>	<u>150,000</u>
Total Language-Directed Allocation	\$17,445,000	\$17,170,000
Total Appropriation, Commerce and Economic Development Commission	\$20,268,000	\$20,486,000

Continuation funding of \$550,000 is recommended for the **Office of Sustainability**. Established in FY 1998, this Office is intended to encourage the growth of environmentally friendly or "sustainable" businesses. A sustainable business must: use raw materials from sustainable sources (recycled materials or other materials that do not adversely impact the environment); employ a manufacturing process that minimizes emissions; and produce products that are environmentally benign or mitigate an environmental problem. Goals of this office include identifying areas in the New Jersey economy which can benefit strongly from sustainable business development; assisting in the expansion of sustainable businesses currently located in New Jersey; assisting in the conversion of existing traditional businesses to sustainable practices; and bringing new sustainable business to New Jersey.

Advertising and Promotion is recommended to receive continuation funding of \$8.5 million in FY 2002. Advertising and Promotion combines the Commission's marketing, public relations and

Program Description and Overview (Cont'd)

advertising efforts into one unit whose mission is to encourage economic development and attract tourism. These marketing and communications functions promote New Jersey "as the best place to live, work and play." In addition, the recommended funds in FY 2002 will be used to augment existing travel and tourism brochures, tourist information centers, and the State web site. Also, more emphasis will be placed on multilingual products for international visitors.

Continuation funding of approximately \$3 million is recommended for **Business Retention, Expansion and Attraction**, which was formerly called the Accounts Management System. This system stemmed from a study commissioned by Prosperity New Jersey which found that "the lack of customer-oriented focus to our existing businesses put New Jersey in the position of being a prime target for other states' economic development marketing efforts." Prosperity New Jersey recommended the adoption of a system to provide businesses with a "one-stop shopping" service in their dealings with the State. Under this system, managers were assigned to each of the major industry groups (such as pharmaceuticals and telecommunications) to handle their interactions with government.

The **Travel and Tourism Cooperative Marketing Program** is recommended to receive continuation funding of approximately \$1.9 million in FY 2002. The mission of this program is to promote New Jersey as a travel destination to promote tourism as a catalyst to the State's economic growth and development. This program works in conjunction with the \$8.5 million available for Advertising and Promotion. Language in the Governor's budget requires that the Chief Executive Officer of the Commission report semi-annually on the expenditure of State funds and private contributions during the preceding six months for the Advertising and Promotion Program and the Travel and Tourism, Advertising and Promotion - Cooperative Marketing Program.

The **Business Marketing Campaign coordinated with Prosperity New Jersey** is recommended to receive \$2 million in FY 2002. The Budget in Brief indicates that these funds will be added to existing State and private funds to promote New Jersey's high technology industry. **Prosperity New Jersey, Inc.** is a program which was created pursuant to Executive Order No. 38 of 1995 and is charged with creating and implementing strategic plans for economic growth in the State through the establishment of public-private partnerships. It is governed by a 27-member board, appointed by the Governor, which includes representatives of the State's business, labor, environmental and academic communities. In addition to the recommended \$2 million Direct State Services appropriation, continuation funding of \$550,000 is recommended for the Prosperity New Jersey Grants-In-Aid program to promote economic development and job creation.

The Governor introduced the concept of the **Community Development Bank (CDB)** in the FY 1995 State of the State address. The purpose was to create access to capital for businesses located within the State's urban areas through the creation of a Statewide network of banks, specially targeting businesses and individuals who do not satisfy the traditional lending or investment criteria of private financial institutions. The New Jersey Economic Development Authority manages the fund on behalf of the Commission. The CDB is recommended to receive continuation funding of \$1 million in FY 2002.

Continuation funding of \$25,000 will support the **Business Information - Call Management Center**, which the Commission expects will contribute to New Jersey's business-friendly climate. The funds will be used for mailing and telephone costs. According to the Commission's web site, the Call Management Center can provide information to businesses on such topics as incorporating, business occupations and licenses, statutes and business fees.

Program Description and Overview (Cont'd)

The **New Jersey Israel Commission** is recommended to receive continuation funding of \$130,000. This Commission promotes trade, investment and joint business ventures between New Jersey and Israel and fosters exchanges between the State and Israel in the areas of science and technology, culture and tourism and education.

Continuation funding of \$150,000 also is recommended for the **Promotion of Agricultural Exports**. This was a new appropriation in FY 1999 to "ensure that New Jersey's food products continue to gain prominence in the world marketplace." Information provided by the Commission indicates that New Jersey agricultural exports were valued at approximately \$360.8 million in 1998.

The Governor's budget includes language which would appropriate such sums as necessary from the General Fund to the New Jersey Commerce and Economic Growth Commission to fund business relocation grants made under the **Business Relocation Assistance Grant Act** (P.L. 1996, c. 25). Business relocation grants are subject to approval by the Director of the Division of Budget and Accounting and are subject to certain limitations. No other direct line item appropriation has been recommended for this purpose.

The FY 2002 budget recommendation no longer continues the FY 2001 appropriation of \$75,000 for the Business Resource Center which is based at the New Jersey Institute of Technology (NJIT) in Newark. The appropriation was for network infrastructure development costs. This center provides a user-friendly one-stop center of economic development information (such as labor, transportation, taxes) about specific areas of New Jersey. According to the Executive, the New Jersey Business Resource Center is scheduled to receive the necessary funding for upgrades to the network infrastructure from the Office of Information Technology.

The FY 2001 appropriation of \$200,000 for **Trade and Investment Events** is no longer recommended in FY 2002 budget recommendation. In FY 2001, these funds were used to sponsor additional trade and investment events to promote increased exports to world markets. The Executive has indicated the International Trade Program will fund trade missions through receipts collected by participating New Jersey businesses. The Commission has indicated that New Jersey's 10 leading export markets in 2000 were Canada, Japan, Mexico, United Kingdom, Netherlands, Republic of Korea, Italy, Germany, China (Mainland) and Israel.

ECONOMIC PLANNING AND DEVELOPMENT

The Governor's budget recommends a \$12.23 million appropriation for FY 2002 for the Economic Development program. Included in this recommendation is \$430,000 for the administrative expenses of the Motion Picture and Television Development Commission, a \$7.5 million Grants-In-Aid appropriation for the Business Employment Incentive Program (P.L. 1996, c.26) and \$4.3 million Grants-In-Aid appropriation for the Brownfield Site Reimbursement Fund (P.L. 1997, c.278, s.38).

The **Business Employment Incentive Program (BEIP)** is administered by the New Jersey Economic Development Authority (EDA). In FY 1999, the first year of the program, \$1.1 million was appropriated for the program and was expended. In FY 2000, \$11 million was appropriated, of which \$3 million reverted to General Fund surplus and \$6.4 million was spent. In FY 2001, \$7.5 million was appropriated for the program, of which approximately \$4.2 million has been expended to date. In FY 2002, the Governor's budget recommends an appropriation of \$7.5 million which, given the current rate of expenditure, will be sufficient according to the Office of Management and

Program Description and Overview (Cont'd)

Budget. Should this appropriation not be sufficient, language in the FY 2002 budget recommends that additional funds be available to the Economic Development Authority from the General Fund for this purpose, subject to certain limitations.

Information from the FY 2000 Annual Report for the Business Employment Incentive Program indicates that, since its inception through the end of FY 2000, the Economic Development Authority has approved 181 BEIP grants. The EDA is authorized to make direct payments in the form of grants to attract businesses which will create new jobs in the State. The incentive grant, which may be provided to a business for up to 10 years, will equal between 10 percent and 80 percent of State income taxes withheld by the business during the calendar year for the newly hired employees.

The Governor's FY 2002 budget recommends continuation funding of \$4.3 million for the **Brownfields Site Reimbursement Fund**. The Brownfields Site Reimbursement Fund, a State grant program, reimburses developers for the costs they incur in the cleanup of contaminated sites. To participate in this program, the property must be a contaminated site, the developer must enter into a Memorandum of Agreement with the New Jersey Department of Environmental Protection, and a Redevelopment Agreement with the New Jersey Commerce and Economic Growth Commission. The tax revenues generated by this site must be sufficient to reimburse the developer up to 75 percent of the remediation costs, and the project must be consistent with local, regional and state planning strategies.

NEW JERSEY COMMISSION ON SCIENCE AND TECHNOLOGY

An appropriation of \$24.6 million is recommended for the **New Jersey Commission on Science and Technology**. Of the total recommended appropriation, \$657,000 is for the administrative expenses of the Commission. The \$657,000 in administrative expenses will support 9 positions in FY 2002. The balance, \$23.9 million, is recommended for Grants-In-Aid programs.

Included in the \$23.9 million for Grants-In-Aid is continuation funding for Research and Development Programs (\$11.8 million), Business Assistance (\$2.1 million), the Technology Transfer Program (\$5 million) and the New Specialized Incubators (\$5 million).

The New Jersey Commission on Science and Technology was established to encourage the development of scientific and technological programs, stimulate academic-industrial collaboration and coordinate the activities of technological centers and business facilities. The Governor's budget has recommended that \$11.8 million be available to the Commission to provide grants-in-aid funding for **Research and Development (R&D) Programs**. The majority of these funds will continue to support twenty-one programs which received support in FY 2001, assuming that all grantees meet their performance expectations.

According to the Commission's web site, the Commission's R&D programs are organized along the lines of business sectors identified as critical to the State's economic destiny. These are biotechnology, advanced materials, information technology and environmental protection technology. Within these areas, **Advanced Technology Centers (ATCs)** are funded to conduct leading edge research and development in conjunction with private industry.

These ATCs include: the Center for Advanced Food Technology, the Hazardous Substance Management Research Center, Center for Advanced Biotechnology and Medicine, the Center for

Program Description and Overview (Cont'd)

Agriculture and the Environment, the Center for Ceramic and Composite Materials Research, the Fiber Optic Materials Research Program, the Center for Photonic and Optoelectronic Materials, the Center for Advanced Information Processing, the Center for Discrete Mathematics and Theoretical Computer Science, and the Center for Manufacturing Systems.

In addition to the \$12 million for R&D programs, the budget also recommends that \$2.1 million be available to support the Commission's **Business Assistance Program**. This program is a funding source for small, for-profit technology companies which are located or plan to locate in New Jersey. The purpose of this program is to provide the infrastructure to improve the entrepreneur's access to information, capital and technology through a technology help desk, technology forums, and vouchers for technical assistance.

In addition, the Commission helped to create and supports seven business incubators which provide start-up and small firms with low cost office, small manufacturing and/or laboratory space and business assistance support. The seven business incubators are: the Rutgers Business Incubator in New Brunswick; the Stevens Technology Ventures Business Incubator in Hoboken; the Technology Enterprise Development Centers I and II in Newark at the New Jersey Institute of Technology; the Pachytene Innovative Technology Center at Morris County Community College in Dover; the Trenton Business and Technology Center at Mercer County Community College and the High-Technology Small Business Incubator at Burlington County College in Mount Laurel.

Continuation funding of a \$5 million Grants-In-Aid appropriation is recommended for **New Specialized Incubators**. Through this initiative, these new incubators are expected to be established in partnership with colleges and universities and are expected to have multiple and committed partners, such as corporations, federal programs and other State-sponsored programs. According to the Commission's web site, there are five new incubators under construction, including: Community Options Enterprises, Inc., Morristown; Burlington County College/Burlington High Technology Incubator II, Mount Laurel; Fairleigh Dickinson University, Madison; NJIT/ Enterprise Development Center III, Newark; and *nVention/* Sarnoff Corporation, Princeton.

The Commission on Science and Technology indicates on their web site that there are over 111 tenant firms in New Jersey's incubators with almost 500 employees. The average length of incubation in New Jersey is approximately 2.3 years. To date, 104 firms have graduated from the incubators and 80 are still in business in New Jersey.

Approximately \$5 million is recommended for the **Technology Transfer and Commercialization Program**. To stimulate the transfer of technology from universities and New Jersey scientists and engineers into commercial practice, the Commission offers three programs: a Technology Transfer Merit Program, which encourages competition for this purpose among the Advanced Technology Centers; the Innovation Partnership program, which aligns the research interests of New Jersey firms and university faculty; and a series of Technology Education Centers which, the Commission expects, will become a part of a coordinated, statewide manufacturing extension network. In FY 2001, the Commission awarded 13 Transfer Technology & Commercialization Program (TTCP) awards to technology companies. In FY 2002, the Commission expects to award additional competitive awards to technology companies. The \$5 million appropriation is a matching grant program that underwrites individual company and university technology transfer and product development projects, assisting in the transfer of newly-developed technology to the marketplace.

Program Description and Overview (Cont'd)

OTHER RELATED BUT INDEPENDENT PROGRAMS

Each of the following programs was transferred from the former Department of Commerce and Economic Development to an in but not of status in the Department of the Treasury pursuant to P.L. 1998, c.44. Notwithstanding this transfer, each of these authorities, commissions and councils continues to be "independent of any supervision and control by the department or by any board or officer thereof." Most of these organizations, however, have some type of relationship with the New Jersey Commerce and Economic Growth Commission. The Chief Executive Officer and Secretary of the New Jersey Commerce and Economic and Development Commission has the authority to appoint the executive directors of the Economic Development Authority and the Motion Picture and Television Development Commission.

The **New Jersey Economic Development Authority (EDA)**, established pursuant to P.L. 1974, c.80, acts as the State's development bank, providing long-term, low-interest financing to private companies for constructing, acquiring, enlarging, and equipping industrial plants and certain other business facilities. The EDA estimates that, since it was founded in 1974, it has provided more than \$12.5 billion to eligible businesses and not-for-profit groups.

The EDA administers a number of State programs and cooperates with a number of State departments and agencies. The Community Development Bank, the Business Relocation Assistance Grant (BRAG) program and the Business Employment Incentive Program (BEIP) are among the programs administered by the EDA on behalf of the State. It also administers business training programs on behalf of the New Jersey Development Authority for Small Businesses, Minorities' and Women's Enterprises.

According to the 1999 Annual Report (most recent report), \$786.3 million in financing was provided by the EDA to eligible businesses and not-for-profit organizations in 1998. Through these finances, 8,800 new, permanent jobs were created; 10,500 construction jobs were created, producing \$1.1 billion in total investments in locations across the State. More than 6,000 manufacturers, distributors, service-providers and retailers have been assisted by the EDA since its inception.

The **Motion Picture and Television Development Commission**, established pursuant to P.L. 1977, c.44, promotes the film and television industry in New Jersey by attracting on-location film and television production and serves as a liaison between production companies and federal, state, county, municipal government and the private sector. The Commission's 1999 Annual Report states that a total of 605 projects were made in New Jersey, including 86 feature films, 7 television films, 86 television series and specials, 12 music videos, 132 industrial, educational, documentary and short films and 282 commercials (p. 49). According to the Annual Report, these 605 projects contributed some \$58 million to the New Jersey economy. Since 1978, nearly 7,000 films and television projects have been made within the State, generating some \$517.5 million in revenue for New Jersey.

The **New Jersey Council of Economic Advisors**, established pursuant to P.L. 1993, c. 149, serves as a permanent unpaid advisory council composed of economic experts who report directly and independently to the Legislature, the Executive Branch and the public. It is charged with providing the Governor and the Legislature with a comprehensive annual report on or before January 31 of each year which analyzes the current economic conditions and forecasts future economic conditions. The New Jersey Commerce and Economic Growth Commission provides appropriate administrative assistance to the council, including, but not limited to, personnel and

Program Description and Overview (Cont'd)

fiscal assistance. Funding for these services is annually provided in the State budget. The FY 2002 budget recommends continuation funding of \$45,000 for the Council of Economic Advisors.

The **Urban Enterprise Zone Authority (UEZA)**, established pursuant to P.L. 1983, c. 303, was established to revitalize the State's economically distressed urban communities. The Urban Enterprise Zone Program is administered by the New Jersey Commerce and Economic Growth Commission whose expenses are reimbursed by the UEZA, subject to the availability of funds. General oversight of the program is vested in a nine member UEZA, four of whom are ex officio; five are public members.

The Urban Enterprise Zone (UEZ) program consists of 27 zones in 29 municipalities. From 1984 to 1986, urban enterprise zones were designated in ten municipalities: Camden, Newark, Bridgeton, Elizabeth, Jersey City, Kearney, Millville-Vineland, Orange, Plainfield, and Trenton. In 1993, the Act was amended to designate an additional ten zones in 11 municipalities: Asbury Park/Long Branch, Carteret, Lakewood, Mount Holly, Paterson, Passaic, Perth Amboy, Phillipsburg, Pleasantville, and Union City. Six of the ten were designated in the legislation; four were selected through a competitive process. The legislation was amended again in 1996 to add seven zones: East Orange, Guttenberg, Hillside, Irvington, North Bergen, Pemberton, and West New York.

One benefit of being designated a UEZ is that qualified UEZ businesses are permitted to charge 50 percent of the current six percent sales tax rate. The three percent collected is deposited in the Zone Assistance Fund and revenues are returned to each UEZ in proportion to total sales tax revenues collected by qualified retail businesses in that zone. These revenues are to be used "for the purpose of assisting qualifying municipalities in which enterprise zones are designated in undertaking public improvements and in upgrading eligible municipal services." Among the economic development projects approved in FY 2000 are: \$1.2 million to Jersey City for 44 uniformed police officers to patrol designated areas on foot; and \$3.3 million to Lakewood to start the renovation of three buildings to create an assisted living facility, to buy two lots for a parking facility and to fund a program that provides below market rate loans to businesses within the UEZ.

The Governor's Budget recommends new budget language that would transfer \$9.5 million (page F-8) from certain UEZ municipal accounts (including Bridgeton, \$630,185; Camden, \$637,659; Millville, \$409,858; Newark, \$3,976,276; Plainfield, \$928,227; Trenton, \$1,383,945; Vineland, \$1,612,867) to the General Fund. According to the Executive, these accounts were "over-reimbursed" under a prior language provision which entitled certain municipalities to be made whole for amounts transferred from the UEZ assistance fund to the General Fund as State revenue in FY 1995.

In addition, the Governor's Budget recommends the transfer of interest earned in FY 2002 on balances in the UEZ Assistance Fund to support the following programs as a "first" source of revenue: Urban Coordinating Council, \$6,000,000; Safe and Secure Neighborhoods, \$3,600,000; Municipal Mobile Video Recorders, \$2,917,000; Local Unit Budget and Accounting Reporting System, \$1,500,000; Playground Safety, \$1,000,000. The assistance fund, which is comprised of individual UEZ municipal accounts, is estimated to earn approximately \$12.1 million in investment earnings in FY 2002.

The **New Jersey Development Authority for Small Businesses, Minorities and Women's Enterprises (NJDA)**, was established pursuant to P.L. 1985, c.386, to assist in providing financing and other services to eligible businesses. The NJDA is funded through casino revenues and is mandated by the Legislature to target its assistance primarily to businesses in the Atlantic City

Program Description and Overview (Cont'd)

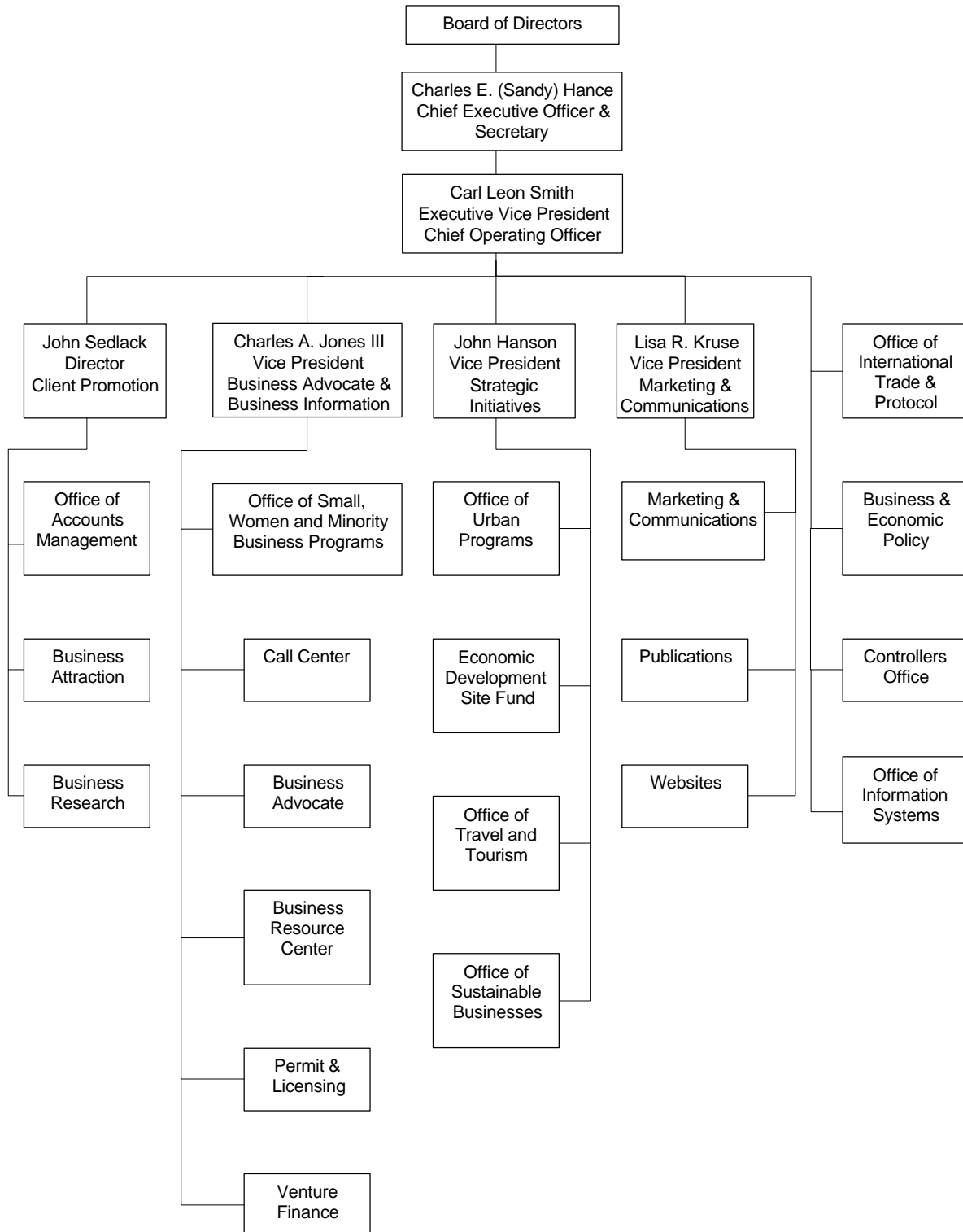
region. Pursuant to the Casino Control Act, the Casino Reinvestment Development Authority is required to set aside \$1.2 million annually from casino proceeds, beginning in 1984 and continuing through 2008, for the purpose of investing in the NJDA.

The NJDA contracts with the New Jersey Economic Development Authority for administrative and program functions, paying the EDA a negotiated base annual fee of \$375,735 in 1997. Among the programs run by the EDA is the Entrepreneurial Training Institute (ETI), a training program which aims to prepare new and aspiring entrepreneurs to run their own businesses. Participation in ETI programs makes entrepreneurs eligible for financing through the NJDA.

When NJDA was created, the State appropriated \$290,000 to the Authority to fund its operations. The appropriation was considered a zero interest loan and was to be repaid in five annual installments commencing in the year following the second consecutive year in which the Authority received sufficient revenues from its own activities to pay its operating expenses. Although an independent authority, rules and regulations promulgated by the NJDA are subject to the Commerce and Economic Development Commission's approval.

In addition to the above independent authorities, corporations, commissions and councils, the following were transferred in but not of the Department of the Treasury pursuant to P.L. 1998, c.44 and continue to be "independent of any supervision and control by the department or by any board or officer thereof:" Atlantic City Convention Center Authority (P.L. 1981, c.459); Economic Development Site Task Force (P.L. 1997, c.97); New Capital Sources Board (P.L. 1995, c.293); and the Export Finance Company Advisory Board (P.L. 1995, c.209).

Organization Chart



Fiscal and Personnel Summary

AGENCY FUNDING BY SOURCE OF FUNDS (\$000)

	Expended FY 2000	Adj. Approp. FY 2001	Recom. FY 2002	Percent Change	
				2000-02	2001-02
General Fund					
Direct State Services	\$16,357	\$21,823	\$21,573	31.9%	(1.1)%
Grants-In-Aid	26,006	36,620	36,255	39.4%	(1.0)%
State Aid	0	0	0	0.0%	0.0%
Capital Construction	0	0	0	0.0%	0.0%
Debt Service	0	0	0	0.0%	0.0%
Sub-Total	\$42,363	\$58,443	\$57,828	36.5%	(1.1)%
Property Tax Relief Fund					
Direct State Services	\$0	\$0	\$0	0.0%	0.0%
Grants-In-Aid	0	0	0	0.0%	0.0%
State Aid	0	0	0	0.0%	0.0%
Sub-Total	\$0	\$0	\$0	0.0%	0.0%
Casino Revenue Fund	\$0	\$0	\$0	0.0%	0.0%
Casino Control Fund	\$0	\$0	\$0	0.0%	0.0%
State Total	\$42,363	\$58,443	\$57,828	36.5%	(1.1)%
Federal Funds	\$0	\$0	\$0	0.0%	0.0%
Other Funds	\$1,462	\$2,405	\$2,405	64.5%	0.0%
Grand Total	\$43,825	\$60,848	\$60,233	37.4%	(1.0)%

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

	Actual FY 2000	Revised FY 2001	Funded FY 2002	Percent Change	
				2000-02	2001-02
State	126	131	136	7.9%	3.8%
Federal	0	0	0	0.0%	0.0%
All Other	13	12	12	(7.7)%	0.0%
Total Positions	139	143	148	6.5%	3.5%

FY 2000 (as of December) and revised FY 2001 (as of September) personnel data reflect actual payroll counts. FY 2002 data reflect the number of positions funded.

AFFIRMATIVE ACTION DATA

Total Minority Percent	26.0%	26.2%	26.2%	----	----
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Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp. FY 2001</u>	<u>Recomm. FY 2002</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
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ECONOMIC PLANNING AND DEVELOPMENT

DIRECT STATE SERVICES

Economic Development
New Jersey Motion
Picture and Television
Development
Commission

	\$405	\$430	\$25	6.2%	D-464
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The \$25,000 increase is the result of an additional \$15,000 for part-time staff to assist in the expansion of the program's promotional initiatives and an increase of \$10,000 for the modernization of the program's computer database.

NEW JERSEY COMMERCE AND ECONOMIC GROWTH COMMISSION

DIRECT STATE SERVICES

Special Purpose: New
Jersey Commerce and
Economic Growth
Commission

	\$20,716	\$20,441	(\$275)	(1.3)%	D-467
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The decrease of \$275,000 represents: the elimination of \$200,000 for international trade expenses, although the Executive has indicated the International Trade Program will fund trade missions through receipts collected from participating New Jersey businesses; and the elimination of a \$75,000 one-time appropriation for the New Jersey Business Resource Center network infrastructure development costs. According to the Executive, the New Jersey Business Resource Center is scheduled to receive the necessary funding for upgrades to the network infrastructure from the Office of Information Technology.

GRANTS-IN-AID

The Greater Wildwoods
Tourism Improvement
and Development
Authority- Adv. &
Promotion

	\$250	\$0	(\$250)	(100.0)%	D-468
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New Jersey Trade
Development
Corporation

	\$115	\$0	(\$115)	(100.0)%	D-468
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The \$365,000 reduction reflects the elimination of legislative initiatives that are not continued.

Language Provisions

2001 Appropriations Handbook

p. B-198

Of the sum hereinabove appropriated for the New Jersey Commerce and Economic Growth Commission, there is no less than \$550,000 for the Office of Sustainability; \$8,450,000 for Advertising and Promotion, from which \$50,000 shall be allocated to each of the six regional tourism councils for regional tourism promotion; \$3,015,000 for Business Retention, Expansion and Attraction; \$1,850,000 for the Travel and Tourism Cooperative Marketing Program; \$2,000,000 for the Business Marketing Campaign coordinated with Prosperity New Jersey; \$1,000,000 for the Community Development Bank; \$25,000 for the Business Information - Call Management Center; \$130,000 for the New Jersey Israel Commission; \$200,000 for Trade and Investment Events; \$150,000 for the Promotion of Agricultural Exports; and \$75,000 for the Business Resource Center, except that the amount for the Cooperative Marketing Program is available for expenditure only to the extent that an amount equal to 25% of the State funds are expended from funds raised by the Commerce Commission, pursuant to subsection j. of section 9 of P.L.1977, c.225 (C.34:1A-53), through contributions from private tourism industry concerns and non-State public entities as determined by the Director of the Division of Budget and Accounting. These accounts shall be considered special purpose appropriations for accounting and reporting purposes.

2002 Budget Recommendations

p. D-468

Of the sum hereinabove appropriated for the New Jersey Commerce and Economic Growth Commission, there is no less than \$550,000 for the Office of Sustainability; \$8,450,000 for Advertising and Promotion, from which \$50,000 shall be allocated to each of the six regional tourism councils for regional tourism promotion; \$3,015,000 for Business Retention, Expansion and Attraction; \$1,850,000 for the Travel and Tourism Cooperative Marketing Program; \$2,000,000 for the Business Marketing Campaign coordinated with Prosperity New Jersey; \$1,000,000 for the Community Development Bank; \$25,000 for the Business Information - Call Management Center; \$130,000 for the New Jersey Israel Commission; ~~\$200,000 for Trade and Investment Events~~; \$150,000 for the Promotion of Agricultural Exports; ~~and \$75,000 for the Business Resource Center~~, except that the amount for the Cooperative Marketing Program is available for expenditure only to the extent that an amount equal to 25% of the State funds are expended from funds raised by the Commerce Commission, pursuant to subsection j. of section 9 of P.L.1977, c.225 (C.34:1A-53), through contributions from private tourism industry concerns and non-State public entities as determined by the Director of the Division of Budget and Accounting. These accounts shall be considered special purpose appropriations for accounting and reporting purposes.

Explanation

This language allocates a minimum of \$17.17 million of the \$20.486 million special purpose appropriation recommended for the New Jersey Commerce and Economic Growth Commission. Budget language recommends: Trade and Investment Events be decreased by \$200,000 for international trade expenses, although the Executive has indicated the International Trade Program will fund trade missions through receipts collected by participating New Jersey businesses; and the Business Resource Center be decreased by \$75,000 for network infrastructure development costs.

The New Jersey Business Resource Center is scheduled to receive the necessary funding for upgrades to the network infrastructure from the Office of Information Technology.

Language Provisions (Cont'd)

2001 Appropriations Handbook

No comparable language.

2002 Budget Recommendations

p. D-465

In addition to the amount hereinabove for the Brownfield and Contaminated Site Remediation Fund, there are appropriated such sums as may be necessary to make payments under the provisions of P.L. 1997, c.278, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

In the FY 2002 budget recommendation, funding has been provided for the Brownfield Site Reimbursement Fund (referred to as the Brownfield and Contaminated Site Remediation Fund in the budget recommendation) to reimburse certain developers for the costs of remediation. The recommended language allows an unlimited amount of funds to be appropriated for this purpose, subject to the approval of the Director of the Division of Budget and Accounting.

2001 Appropriations Handbook

p. B-199

The unexpended balance as of June 30, 2000 in the Burlington County - New Jersey EcoComplex account is appropriated and are transferred to the New Jersey Eco-Complex, Rutgers account.

2002 Budget Recommendations

No comparable language.

Explanation

The budget language was added by the Legislature and is not continued in FY 2002. In FY 2000, \$275,000 was appropriated for Burlington County - New Jersey EcoComplex and \$275,000 was spent.

Language Provisions (Cont'd)

2001 Appropriations Handbook

2002 Budget Recommendations

p. B-199

The unexpended balance as of June 30, 2000 in the Monmouth/Ocean Development Council - Marketing account is appropriated. No comparable language.

Explanation

The budget language was added by the Legislature and is not continued in FY 2002. In FY 2000, \$100,000 was appropriated for the Monmouth/Ocean Development Council-Marketing and as of April 23, 2001, \$100,000 remains uncommitted.



2001 Appropriations Handbook

2002 Budget Recommendations

p. B-199

The unexpended balance as of June 30, 2000 in the New Jersey Trade Development Corporation account is appropriated. No comparable language.

Explanation

The budget language was added by the Legislature and is not continued in FY 2002. In FY 2000, \$150,000 was appropriated for New Jersey Trade Development and \$150,000 was spent.



2001 Appropriations Handbook

2002 Budget Recommendations

p. B-199

The unexpended balance as of June 30, 2000 in the Northern New Jersey Business Growth Initiative - Regional Business Partnership account is appropriated. No comparable language.

Explanation

The budget language was added by the Legislature and is not continued in FY 2002. In FY 2000, \$250,000 was appropriated for Northern New Jersey Business Growth Initiative - Regional Business Partnership and \$250,000 was spent.

Discussion Points

ECONOMIC PLANNING AND DEVELOPMENT

1. An additional \$25,000 is recommended for the New Jersey Motion Picture and Television Development Commission in FY 2002 to expand the program's initiatives and attract additional motion picture and television resources to New Jersey. According to the Office of Management and Budget, the increase in the Commission's budget is intended to update the program's computer database and hire additional part-time staff in order to expand its promotional efforts.

According to the response from one of last year's discussion points, the Commission indicated that New Jersey is nationally ranked the 5th most popular motion picture location.

- **Question:** Please explain how this additional \$25,000 appropriation would be used. How many part-time staff were hired during FY 2001, and how many part-time staff does the department intend to hire in FY 2002? What is the total cost to upgrade the program's computer database?

2. The New Jersey Economic Development Authority (EDA) is a self-supporting, independent State finance and development agency. Since it was founded in 1974, the EDA estimates that it has provided more than \$14.4 billion to help more than 7,200 manufacturers, distributors, service providers and retailers. It estimates that its assistance has stimulated more than \$21.3 billion in investments.

The EDA administers State-funded loan, grant and loan guarantee programs and also sells bonds to raise capital for its programs. Among the programs administered by the EDA for the State are the Business Employment Incentive Program, Brownfields Redevelopment Incentive Program and business loans for the Office of Sustainability.

According to the Commission, in response to one of last year's discussion points, the EDA does not charge the State or its agencies an administrative fee for administering these programs. However, the EDA indicated that they do charge fees based on the amount of effort and expertise it provides to the State, its agencies or business clients.

- **Question:** Please list all the charges EDA makes to the State and State Agencies for services provided. What methodology is used to determine the amount of effort and/or level of expertise the EDA provides when charging the State, its agencies or business clients?

3. The Brownfields Site Reimbursement Fund, a State grant program, reimburses developers for the costs they incur in the cleanup of contaminated sites. To participate in this program, the property must be a contaminated site, the developer must enter into a Memorandum of Agreement with the New Jersey Department of Environmental Protection, and a Redevelopment Agreement with the New Jersey Commerce and Economic Growth Commission. The tax revenues generated by this site must be sufficient to reimburse the developer up to 75 percent of the remediation costs, and the project must be consistent with local, regional and state planning strategies.

The Governor's FY 2002 budget recommends \$4.3 million for the Brownfields Site Reimbursement Fund.

Discussion Points (Cont'd)

- **Question:** Please comment on the accomplishments of the program to date and how many Brownfield Sites were developed in New Jersey? Please provide a breakdown of the operating budget for the program, including the salaries for positions. What are the program's goals for FY 2002?

4. The Business Employment Incentive Program (BEIP) is administered by the New Jersey Economic Development Authority. The BEIP allows the State to award grants to businesses that create new jobs in New Jersey. These grants, which have a maximum term of 10 years, are from 10 percent to 80 percent of the state income taxes withheld from the businesses eligible employees. The BEIP program was created to be revenue neutral. This program awards grants based on State withholding taxes that are the result of new jobs created in New Jersey.

According to the Commission, BEIP has been the State's most effective tool for attracting new business to the State and for providing incentives to existing businesses to expand. Since its inception in May 1996 through FY 2000, the EDA has approved 181 BEIP grants which are expected to spur more than \$6 billion in investments and create approximately 45,000 jobs for New Jersey.

According to the New Jersey Commerce and Economic Growth Commission's, Master Plan, FY 2001, the Commission recommended that the EDA provide additional weight to the scoring factor for high technology and e-commerce companies that will allow a higher BEIP percentage for these grants.

- **Question:** Please provide data on all the grants awarded to date, and the number of new full-time jobs created or relocated to the State as a result of the grant.

5. The Business Relocation Assistance Grant Program (BRAG) was created in May 1996 to assist companies with their relocation expenses based on the new jobs created as a result of relocating within or moving to our State. According to EDA, since the program's inception, the Commerce and Economic Growth Commission has approved BRAG grants for 6 companies totaling \$49,941.21. These projects are expected to create 398 jobs in the State.

According to the New Jersey Commerce and Economic Growth Commission's, Master Plan, FY 2001, the Commission indicated that the program needed modifications to make it more effective. In the past, the Commission has suggested the BRAG program appears to be competing with the BEIP program, which has more to offer businesses that are relocating, expanding or growing their businesses in New Jersey. As stated by the Commission, the success rate of BEIP is demonstrated by the number of businesses relocating to New Jersey and the increase in jobs being created in the State.

- **Question:** Please comment on the problems businesses have encountered qualifying for BRAG grants. How does the Commission intend to enhance this program, in order to make it a more effective economic development tool?

NEW JERSEY COMMERCE AND ECONOMIC GROWTH COMMISSION

6. The Governor's Budget recommendation would allocate, through language (page D-468), not less than \$17.170 million of the \$20.486 million of the Direct State Services appropriation for specific purposes, leaving a net balance of \$3.316 million to be allocated at the Commissioner's discretion.

Discussion Points (Cont'd)

- **Question:** Please explain how the Commission plans to allocate the \$3.316 million.

7a. The New Jersey Urban Enterprise Zone (UEZ) program was established to encourage the revitalization of the State's distressed urban communities through the authorization of tax credits, tax exemptions and other benefits to qualified businesses within the zones. Primary among these benefits is the ability of qualified zone businesses to charge a reduced sales tax of three percent, instead of the current rate of six percent. Over the 20 year life of a zone, a declining share of revenues from the reduced sales tax is deposited into the Urban Enterprise Zone Assistance Fund to provide zone municipalities with the resources to fund certain public improvement projects.

The Governor's FY 2002 budget recommends new budget language that would transfer \$9.5 million (page F-8) from certain Urban Enterprise Zone municipal accounts (including Bridgeton, \$630,185; Camden, \$637,659; Millville, \$409,858; Newark, \$3,976,276; Plainfield, \$928,227; Trenton, \$1,383,945; Vineland, \$1,612,867) to the General Fund. According to the Executive, these accounts were "over-reimbursed" under a prior language provision which entitled certain municipalities to be made whole for amounts transferred from the UEZ assistance fund to the General Fund as State revenue in FY 1995.

- **Question:** How will this language impact the affected zones? When does the Commission anticipate the transfer of funds? Please explain the basis for the overpayment. How will this transfer impact commitments made by the zones?

7b. The Governor's budget also recommends the transfer of interest earned in FY 2002 on balances in the Urban Enterprise Zone Assistance Fund to support the following programs as a "first" source of revenue: Urban Coordinating Council, \$6,000,000; Safe and Secure Neighborhoods, \$3,600,000; Municipal Mobile Video Recorders, \$2,917,000; Local Unit Budget and Accounting Reporting System, \$1,500,000; Playground Safety, \$1,000,000. The assistance fund, which is comprised of individual UEZ municipal accounts, is estimated to earn approximately \$12.1 million in investment earnings in FY 2002.

- **Question:** How will this transfer impact commitments made by the zones?

8a. The New Jersey Office of Sustainability (NJOSB), established in 1998, was created to encourage growth of environmentally friendly ("sustainable") businesses. Goals of this office include identifying areas in the New Jersey economy which can benefit strongly from sustainable business development; assisting in the expansion of sustainable businesses currently located in New Jersey; assisting in the conversion of existing traditional businesses to sustainable practices; and bringing new sustainable business to New Jersey.

The Governor's FY 2002 budget recommends continuation funding of \$550,000 for the NJOSB.

- **Question:** Please provide data on the number of businesses provided with technical assistance through the NJOSB to date, as well as the number of grants provided, the amount of each grant, and a brief description of each grant.

Please provide a breakdown of the operating budget for the office. What are the goals of the NJOSB for FY 2002?

Discussion Points (Cont'd)

8b. In April 2000, the NJOSB, in conjunction with the Building a Greener New Jersey program, produced a report on sustainable business actions in New Jersey entitled, "Greening the Garden State." The Building a Greener New Jersey program is a public-private partnership formed for the express purpose of transitioning current building practices toward technologies and techniques that are environmentally preferable. The partnership was created in 1997 by the NJOSB as a means of transforming the market for green building products and services in New Jersey. NJOSB provides staffing, coordination, a Green building library and free monthly workshops to the Building a Greener New Jersey Program.

- **Question:** What is the status of the recommendations proposed in "Greening the Garden State" report? What, if any, funds have been raised to date by private/public companies both cash and in-kind? How many staff are associated with the partnership?

9. According to the New Jersey Commerce and Economic Growth Commission's, Strategic Plan, FY 2001, one of the Office of Travel and Tourism's objectives for FY 2000 was to maintain and increase New Jersey's share of the Canadian market. The Commission stated its intention to continue New Jersey's toll free Canadian information request line and hire a Toronto firm to do travel trade marketing for New Jersey in Canada. In addition, the Commission planned to attend a number of travel trade seminars in Toronto and Montreal and take Canadian tour operators and Canadian Automobile Association agents on FAM tours of New Jersey. Finally, the Commission planned to prepare a more detailed analysis to get a better view of why the changes in the market are affecting New Jersey more than the rest of the United States. The Strategic Plan, FY 2001 indicated that the Commission did not meet this objective.

- **Question:** Please discuss the reasons that in FY 2000, the objective to increase New Jersey's share of the Canadian market was not met. Is it the intention to accomplish this objective in FY 2001 or FY 2002?

10. Prosperity New Jersey Inc. (PNJ) was created by an Executive Order in 1995 to serve as a public/private partnership to help foster, promote and strengthen economic activity, job creation and the overall business climate in New Jersey. In its initial budget year, FY 1996, PNJ received a \$1.5 million appropriation. Although future appropriations were provided, the Administration stated that PNJ was intended to become gradually self-supporting through private sector contributions.

Recently, PNJ reported raising over \$7.2 million in cash and \$250,000 of in-kind private sector contributions (since inception) and expects to raise a total of \$8 million by the end of March 2001. PNJ also indicates it will move to a non-State location in the summer of 2001.

- **Question:** Please describe PNJ's specific accomplishments to date. Is it still the Administration's intention that Prosperity New Jersey become self-sufficient? If so, over what time period?

11. The New Jersey Commerce and Economic Growth Commission has worked with international businesses to increase trade with New Jersey. A key element in this strategy has been Trade and Investment Missions to Europe, Asia and Latin America. According to the Commission, these missions have been highly productive in generating export sales and developing long-term business ties with key officials from the public and private sector. The Commission also organizes trade shows, conferences and seminars to allow businesses to explore new markets and to identify agents and distributors in foreign markets.

Discussion Points (Cont'd)

- **Question:** For FY 2001 and FY 2002, what missions have taken place or are anticipated and at what cost? What is the expected outcome of the missions?

12. The New Jersey-Israel Commission, within the Division of International Trade, was created by an executive order in 1989 to promote trade, investment and joint business ventures between New Jersey and Israel and fosters exchanges between the State and Israel in areas of science and technology, culture and tourism and education.

According to the Commission, since the establishment of the foreign trade office in Raanana, Israel in 1995, trade and economic development has become an integral part of the Commission.

- **Question:** What have been the specific accomplishments of the program thus far, and what are its goals for FY 2002? Please provide a breakdown of the operating budget for the office.

13. The fund for Community Economic Development, also known as the Community Development Bank Fund (CDB), was created in 1997 to serve as a Statewide network of public and private resources committed to providing a new source of flexible financing to support community economic development initiatives in New Jersey's urban centers. The fund specifically focuses on providing assistance to projects located in urban areas which are sponsored by community development organizations and which will result in employment of local residents. The fund lends at flexible terms to local organizations for the ultimate purpose of small business lending and/or real estate development. It participates in non-traditional loans to reduce bank risk and expand the availability of capital to urban development projects.

As originally envisioned by the Governor in 1995, "over the next five years this fund will generate at least \$40 million for job creation in our cities," of which \$10 million was to be provided through the State, with the balance to be provided through private sector entities.

According to the Commission, the New Jersey Economic Development Authority has raised more than \$30 million in public and private funds for the CDB. However, the State's contribution, including the FY 2002 recommended appropriation of \$1.0 million, has provided only \$7.0 million of the \$10 million originally anticipated.

- **Question:** Does the Commission anticipate that it will be able to fulfill its \$10 million commitment to the CDB? Will there be any adverse affects on agreements reached with private sector investors if the State does not fulfill its original commitment? How many loan approvals have been granted?

NEW JERSEY COMMISSION ON SCIENCE AND TECHNOLOGY

14. In FY 2001, the New Jersey Commission on Science and Technology received a \$5.0 million approbation for incubator development, as part of an effort to spur the development of high-paying, high-tech companies. The commission, in turn, funded feasibility studies prior to the dispersement of the funding.

According to a newspaper article dated February 5, 2001, the New Jersey Science and Technology Commission provided funding to five well-developed proposals. Of the \$5.0 million

Discussion Points (Cont'd)

appropriation, Burlington County College received \$1 million to help finance the construction of a second incubator (on its Mount Laurel campus) for high-tech companies and Sarnoff Corp. was given \$500,000 for its soon-to-be launched incubator, a for-profit project known as *nVention*. In addition, the State provided smaller grants for three new incubators in Morristown, Madison and Newark. As stated in the article, the five projects received a combined total of \$3.75 million of the \$5.0 million appropriation to the New Jersey Commission on Science and Technology.

The Governor's FY 2002 budget recommends continuation funding of \$5.0 million for the New Jersey Science and Technology Commission's New Specialized Incubators.

- **Question:** How many feasibility studies were conducted in FY 2001? What criteria are used to determine the recipient as well as the amount of the grant?

Please provide an overview of the current number and location of incubators in the State, the services they provide and amount of the grant each received. Please also indicate how many new incubators might be funded in FY 2002 and the services they might provide.

Background Paper: Community Development Bank: A Progress Report

Budget Pages.... D-468

Background

The Community Development Bank Fund (CDBF) (officially marketed as the "Fund for Community Economic Development") was established in 1997 as a special fund committed to provide a new source of flexible financing to support community economic development initiatives in New Jersey's urban centers. The fund, which is administered by the New Jersey Economic Development Authority (EDA), was created to leverage capital for businesses located within the State's urban areas through the development of a Statewide network of public and private resources,

When Governor Whitman introduced the concept of a Community Development Bank in 1995, she anticipated the fund would generate, during its first five years, at least \$40 million in public and private resources in order to enhance urban economic development and complement the not-for-profit housing development infrastructure that exists in New Jersey's urban areas. To that end, the Governor indicated the State would provide \$10 million over a five year period to the CDBF, with the balance to be provided through private sector entities.

The CDBF was established as a public/private partnership, consisting of a private sector board of trustees which is responsible for the development of investment policies of the fund. The board appointed loan review committee evaluates funding requests from eligible community organizations, while the EDA donates its technical resources, including accounting and marketing services.

The CDBF focuses on providing assistance to projects located in urban areas which are sponsored by community development organizations and which will result in employment of local residents. The CDBF lends money at flexible terms to local organizations for the ultimate purpose of small business and/or real estate development. It participates in non-traditional loans to reduce bank risk and expand the availability of capital to urban development projects, such as storefront businesses or real estate projects. The CDBF focuses its efforts on 141 targeted communities in 19 counties across the State.

Program Description

The CDBF is divided into four program areas, each designed to facilitate the promotion of urban economic development in New Jersey:

Loans to Lenders: Provides funds to community organizations that, in turn, make loans to micro-enterprises and small businesses which may not qualify for traditional bank financing;

Real Estate Loans: Provides affordable capital to fill financing gaps in the development of community facilities and other real estate based economic development projects;

Guarantees: As an alternative to direct participation in the two components described above, the Fund may opt to limit its participation and provide partial guarantees to mitigate bank risk and assist a project; and

Pre-Development and Technical Assistance: Provides local groups with funds to finance feasibility studies and other pre-development costs to determine if a real estate project is viable, as well as technical assistance to support the long term growth and viability of individual organizations.

Background Paper: Community Development Bank: A Progress Report (Cont'd)

Funding for the CDBF

According to the Fund for Community Economic Development, 2000 Annual Report, the combined commitments of the public and private sector to the CDBF total more than \$30 million.

Public Sector Commitments

To date, \$7 million of State funds have been appropriated. In FY 2002, the budget recommendation includes a \$1.0 million appropriation for the Community Development Bank.

Other public sector commitments include, a \$750,000 grant from the former Urban Development Corporation for pre-development assistance to real estate projects and \$200,000 from the Department of Community Affairs for technical assistance for borrowers to broaden organizational capacity.

Private Sector Commitments

In accordance to the Fund for Community Economic Development's Business Plan, April 1997, the CDBF issues non-recourse notes to private parties interested in supporting urban economic development. Loans made to the CDBF by any and all parties are secured solely by the credit of the CDBF and not the EDA's general portfolio. In addition, commercial lending institutions also partner with the CDBF in financing community economic development projects.

From the private sector, PSE&G and GPU Energy have committed to directly invest a total of \$6 million in the Fund. A number of banks have also committed resources to the fund, including the Bank of New York, Chase Bank, Commerce Bank, First Union Bank, Fleet Bank, PNC Bank, Summit Bank, and Union Center National Bank. According to the EDA, each bank has pledged to participate in financing up to \$2 million over five years, generating an additional \$16 million in available capital. In addition to these banks, other banks, not-for-profit and governmental agencies pledged support to the fund, including Amboy National Bank, City National Bank, Hudson United Bank, Columbia Savings Bank, Valley National Bank, New Jersey Community Loan Fund, Cooperative Business Assistance Corporation, New Jersey Redevelopment Authority and Delaware Valley Community Reinvestment Fund.

The private sector's contributions are used to finance local development organizations, such as non-profit neighborhood agencies, which in turn extend loans to businesses and economic development projects at the local level.

Target Market

The CDBF targets its assistance to economic development organizations located in and servicing urban communities in New Jersey. The CDBF also targets is lending to local organizations that have a mission related to community economic development. These non-traditional borrowers include not-for-profit organizations, for-profit entities and/or quasi-governmental entities which sponsor small business and commercial lending programs as well as real estate projects. All CDBF activity is limited to economic development oriented projects.

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Market Segments

In providing financial assistance to local development organizations, the CDBF strives to focus its assistance on three primary market segments. Below is a brief description of the type of organizations that would make up each of these segments.

Start-Up Organizations: Organizations that are less than three years old with a defined mission statement for economic development and staffed by individuals who have significant experience in community development.

Developing Organizations: Organizations that are three to ten years old, have a total portfolio of less than \$3 million, and are involved in economic development in eligible CDBF target areas.

Mature Organizations: Organizations over five years old, have amassed a significant amount of equity and have total assets greater than \$3 million (including any parent and/or subsidiary corporations).

Summary of Activity to Date

	Number of projects	Assistance/Commitments from CDBF
TOTAL PROJECTS APPROVED	48	
Closed (and active)	18	
Loans to Lenders	2	\$800,000
Real Estate Loans	7	\$1,700,000
Pre-development Assistance	9	\$361,500
Pending (approved but not closed)	19	
Real Estate	15	\$4,600,000
Pre-development	4	\$180,000
Inactive (since approval)	11	

"Fund for Community Economic Development," 2000 Annual Report, EDA.

According to the EDA, 37 closed and pending projects account for \$7.6 million in commitments from the CDBF. These projects are comprised of 2 loans to lenders, totaling the \$800,000 commitments from the CDBF, 22 real estate projects in the amount of \$6.3 million and 13 pre-development assistance approvals in the amount of \$541,000.

For 2000, the EDA reports 10 real estate projects and 4 pre-development assistance approvals both of which are reflected in the numbers shown above. According to the EDA, none of the loans has closed yet and one of the real estate projects is now inactive. However, the EDA reports that 9 pending real estate projects that represent nearly \$2 million in commitments from the CDBF, will leverage another \$5.5 million for a total in projects of nearly \$9.2 million. The 4 pre-development projects have commitments of \$180,000 from the CDBF for a total in pre-development costs of \$395,000. To date, nearly \$400,000 in principal, interest and fees has been repaid to the CDBF.

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Individuals wishing information and committee schedules on the FY 2002 budget are encouraged to contact:

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