ANALYSIS OF THE NEW JERSEY
FISCAL YEAR 2002 - 2003 BUDGET

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

PREPARED BY
OFFICE OF LEGISLATIVE SERVICES
NEW JERSEY LEGISLATURE
MAY 2002
NEW JERSEY STATE LEGISLATURE

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Questions or comments may be directed to the OLS Commerce, Labor and Industry Section (Tel. 609 984-0445) or the Legislative Budget and Finance Office (Tel. 609 292-8030).
NEW JERSEY COMMERCE AND ECONOMIC GROWTH
COMMISSION AND RELATED ECONOMIC DEVELOPMENT
PROGRAMS

Budget Pages.... C-20; D-461 to D-468; F-8

Fiscal Summary ($000)

<table>
<thead>
<tr>
<th></th>
<th>Expended FY 2001</th>
<th>Adjusted Appropriation FY 2002</th>
<th>Recommended FY 2003</th>
<th>Percent Change 2002-03</th>
</tr>
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<tbody>
<tr>
<td>State Budgeted</td>
<td>$52,852</td>
<td>$62,223</td>
<td>$52,615</td>
<td>(15.4)%</td>
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<tr>
<td>Federal Funds</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>—</td>
</tr>
<tr>
<td>Other</td>
<td>1,102</td>
<td>2,405</td>
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<td>0.0%</td>
</tr>
<tr>
<td>Grand Total</td>
<td>$53,954</td>
<td>$64,628</td>
<td>$55,020</td>
<td>(14.9)%</td>
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Personnel Summary - Positions By Funding Source

<table>
<thead>
<tr>
<th></th>
<th>Actual FY 2001</th>
<th>Revised FY 2002</th>
<th>Funded FY 2003</th>
<th>Percent Change 2002-03</th>
</tr>
</thead>
<tbody>
<tr>
<td>State</td>
<td>131</td>
<td>130</td>
<td>130</td>
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<tr>
<td>Federal</td>
<td>0</td>
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<td>0</td>
<td>—</td>
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<tr>
<td>Other</td>
<td>12</td>
<td>13</td>
<td>13</td>
<td>0.0%</td>
</tr>
<tr>
<td>Total Positions</td>
<td>143</td>
<td>143</td>
<td>143</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

FY 2001 (as of December) and revised FY 2002 (as of September) personnel data reflect actual payroll counts. FY 2003 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. The Commission is headed by the Chief Executive


**Introduction (Cont’d)**

Officer and Secretary who, by law, holds cabinet rank.

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; 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 and Secretary 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.

<table>
<thead>
<tr>
<th>New Jersey Commerce and Economic Growth Commission and Related Economic Development Programs ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td><strong>New Jersey Commerce and Economic Growth Commission</strong></td>
</tr>
<tr>
<td>State Budgeted</td>
</tr>
<tr>
<td>Other</td>
</tr>
<tr>
<td>Subtotal</td>
</tr>
<tr>
<td><strong>Economic Planning and Development</strong></td>
</tr>
<tr>
<td>State Budgeted</td>
</tr>
<tr>
<td>Subtotal</td>
</tr>
<tr>
<td><strong>New Jersey Commission on Science and Technology</strong></td>
</tr>
<tr>
<td>State Budgeted</td>
</tr>
<tr>
<td>Subtotal</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
</tr>
</tbody>
</table>

Introduction (Cont’d)

Included in this analysis are appropriations made to the following programs which appear on pages D-461 to D-468 in the Department of Treasury.

New Jersey Commerce and Economic Growth Commission - $20.6 million

- U EZ Program
- New Jersey Development Authority for Small Businesses, Minorities' and Women's Enterprises
- Travel and Tourism
- Prosperity New Jersey, Inc.

Economic Planning and Development - $19.9 million

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

New Jersey Commission on Science and Technology - $14.5 million

- Research and Development programs
- Business Assistance

Key Points

- The Governor’s FY 2003 Budget recommends State funding of $18.2 million for the New Jersey Commerce and Economic Growth Commission, a 12.2 percent decrease in total funds available over the prior fiscal year.

- Approximately $17.6 million of the $18.2 million in State funds recommended for the Commission 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.

- Although the Commission's budget is displayed as a single special purpose line of $17.6 million, budget language specifies the expenditure of $14.3 million. Of the recommended total, no less than the following amounts are allocated for the programs listed: Advertising and Promotion ($6.5 million, of which $50,000 is allocated to each of the six regional tourism councils for regional tourism promotion); Business Retention, Expansion and Attraction ($3.0 million); Travel and Tourism Cooperative Marketing Program ($1.9 million); Nanotechnology and other technologies ($3 million).

- Included in the reduction of $2.3 million in the Commission’s budget are a decrease of $2 million for Advertising and Promotion, and the elimination of funding for the Business Marketing Campaign ($2 million), and Community Development Bank ($1 million). The budget recommends that $3 million be newly allocated to Nanotechnology and other technologies.

- The Governor’s Budget recommends that interest earned on balances in the Urban Enterprise Zone Assistance Fund, estimated at $6 million, be credited to the General Fund (General Fund Provision, page F-8).
Key Points (cont’d)

ECONOMIC PLANNING AND DEVELOPMENT

● The $6.0 million recommended Grants-In-Aid appropriation for the Brownfield and Contaminated Site Remediation Fund is a $1.7 million, or 40 percent, increase over the FY 2002 adjusted appropriation. The Brownfield Site Remediation Fund reimburses developers for the costs they incur in the cleanup of contaminated sites.

● The Governor's Budget recommends $13.5 million in continuation funding for the Business Employment Incentive Program (BEIP). The BEIP is administered by the New Jersey Economic Development Authority (EDA). The EDA is authorized to make direct payments in the form of grants to attract businesses which will create new jobs in the State.

NEW JERSEY COMMISSION ON SCIENCE AND TECHNOLOGY

● The $14.5 million recommendation for the New Jersey Commission on Science and Technology is an $8.8 million, or 37.6 percent, decrease over the FY 2002 adjusted appropriation. Of the total appropriation, $632,000 is allocated to administrative expenses of the Commission and $13.9 million is a recommendation for Grants-In-Aid.

● Recommended Grant-in-Aid appropriations decrease by $8.7 million is due to the elimination of grants for New Specialized Incubators ($4.8 million) and the Technology Transfer Program ($4 million). Funding for both programs was targeted to lapse for the FY 2002 deficit reduction. Continuation funding is recommended for Research and Development Programs ($11.8 million) and Business Assistance ($2.1 million).

Background Paper:

● New Jersey Tourism p. 23
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; 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 $17.6 million Special Purpose appropriation for the New Jersey Commerce and Economic Growth Commission, a $2.4 million or 12.1 percent decrease below the FY 2002 adjusted appropriation. The decrease reflects a reduction in funding for advertising and promotion and the elimination of both the Business Marketing Campaign ($2.0 million) and the Community Development Bank ($1.0 million). These cuts are offset by new funding for Nanotechnology ($3.0 million). Funding is provided for 143 positions in FY 2003, the same number of positions which were filled in FY 2002.

The Governor's budget includes language which allocates not less than $14.3 million of the Commission's $17.6 million Special Purpose appropriation to specific programs or purposes. The
Program Description and Overview (cont’d)

allocations for FY 2002 and FY 2003 are as follows (it should be noted that programs not allocated funding in FY 2003 may be continued by the Commission from its unrestricted resources):

<table>
<thead>
<tr>
<th>Program</th>
<th>FY 2002 Adj. Approp.</th>
<th>FY 2003 Recommended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising and Promotion</td>
<td>$8,450,000</td>
<td>$6,450,000</td>
</tr>
<tr>
<td>Business Retention, Expansion and Attraction</td>
<td>3,015,000</td>
<td>3,015,000</td>
</tr>
<tr>
<td>Travel and Tourism Cooperative Marketing Program</td>
<td>1,850,000</td>
<td>1,850,000</td>
</tr>
<tr>
<td>Business Marketing Campaign - Prosperity, NJ</td>
<td>2,000,000</td>
<td>0</td>
</tr>
<tr>
<td>Community Development Bank</td>
<td>1,000,000</td>
<td>0</td>
</tr>
<tr>
<td>Business Information - Call Management Center</td>
<td>25,000</td>
<td>0</td>
</tr>
<tr>
<td>New Jersey Israel Commission</td>
<td>130,000</td>
<td>0</td>
</tr>
<tr>
<td>Promotion of Agricultural Exports</td>
<td>150,000</td>
<td>0</td>
</tr>
<tr>
<td>Nanotechnology</td>
<td>0</td>
<td>3,000,000</td>
</tr>
<tr>
<td>Total Language-Directed Allocation</td>
<td>$16,620,000</td>
<td>$14,315,000</td>
</tr>
<tr>
<td>Total Appropriation, Commerce and Economic Development Commission</td>
<td>$19,999,000</td>
<td>$17,570,000</td>
</tr>
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</table>

Advertising and Promotion is recommended to receive $6.5 million in funding in FY 2003, a $2.0 million decrease from FY 2002. Of the $6.5 million, $300,000 in development grants are directed to six regional tourism councils ($50,000 each). Advertising and Promotion combines the Commission’s marketing, public relations and 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 2003 will be used to augment existing travel and tourism brochures, tourist information centers, and the State web site.

Continuation funding of approximately $3.0 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 2003. The mission of this program is to promote New Jersey as a travel destination and to promote tourism as a catalyst to the State's
Program Description and Overview (Cont'd)

economic growth and development. This program works in conjunction with the Commission's Advertising and Promotion activities. Language in the Governor's budget requires that the Chief Executive Officer and Secretary 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.

A new appropriation of $3.0 million is recommended for Nanotechnology and related technologies. According to the website, www.nanozine.com, nanotechnology is molecular manufacturing, building objects one atom or molecule at a time with programmed nanoscopic robot arms. Nanotechnology provides self-replicating machinery and self-assembling consumer goods made from cheap raw atoms. According to the Governor's budget overview (page D-451), the funds for nanotechnology "will provide for public/private partnerships to transform laboratory research and design into commercial products addressing critical issues from healthcare to the security and quality of our water systems."

The FY 2002 appropriation of $2.0 million for the Business Marketing Campaign coordinated with Prosperity New Jersey is no longer recommended in the FY 2003 budget. In FY 2002, these funds were used to add to existing State and private funds to promote New Jersey's high technology industry. The Commission has indicated that the Business Marketing Campaign, even though not listed for funding in language provisions, may receive funding elsewhere in the special purpose Direct State Services appropriation of $17.6 million.

The Community Development Bank was developed to create access to capital for businesses located within the State's urban areas through the creation of a Statewide network of banks, specifically 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 FY 2002 appropriation of $1.0 million is not continued for the Community Development Bank in the FY 2003 budget recommendation (the FY 2002 allocation was targeted in full to lapse for deficit reduction). According to the Commission, the Community Development Bank will not receive funding from other resources and this recommendation represents a total elimination of funding.

The FY 2003 budget recommendation no longer continues the FY 2002 appropriation of $25,000 for the Business Information - Call Management Center. In FY 2002, these funds were used for mailing and telephone costs. According to the Commission's website, the Call Management Center can provide information to businesses on such topics as incorporating, business occupations and licenses, statutes and business fees.

The FY 2002 appropriation of $130,000 for The New Jersey Israel Commission is not continued in the FY 2003 budget recommendation. 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.

The FY 2003 budget recommendation no longer continues the FY 2002 appropriation of $150,000 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."

The Commission has indicated that the Business Information - Call Management Center, The
Program Description and Overview (cont’d)

New Jersey Israel Commission, and Promotion of Agricultural Exports even though not listed for funding in language provisions, may receive funding from the unallocated portion of the Commission’s appropriation.

**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. Continuation funding of $550,000 is recommended for Prosperity New Jersey to maintain its mission of promoting economic development and job creation.

The Governor's budget continues 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. In FY 2002, a total of $9,000 has been authorized for this purpose.

**ECONOMIC PLANNING AND DEVELOPMENT**

The Governor's budget recommends a $19.91 million appropriation for FY 2003 for the Economic Development program. Included in this recommendation is $406,000 for the administrative expenses of the Motion Picture and Television Development Commission, a $13.5 million Grants-In-Aid appropriation for the Business Employment Incentive Program (P.L. 1996, c. 26) and a $6.0 million Grants-In-Aid appropriation for the Brownfield and Contaminated 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). From its inception in FY 1999 through FY 2001, the program provided a total of $12.8 million in grants to businesses, from total appropriations of $19.6 million. Thus far in FY 2002, a total of $14.1 million comprising the original appropriation of $7.5 million and supplemental appropriations of $6.6 million authorized by budget language, have been fully expended (the Governor's budget reflected FY 2002 supplemental appropriations of only $6 million). The FY 2003 recommended appropriation of $13.5 million, while appearing equal to FY 2002 funding, is in fact a decrease of $600,000 below FY 2002 expenditures. According to the Office of Management and Budget, the FY 2003 recommendation should be adequate to fund all BEIP grants in FY 2003. Budget language is again included to authorize additional appropriations to meet the program's full needs.

According to the EDA, a total of 295 BEIP grants have been approved by the EDA since its inception. 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 2003 budget recommends funding of $6.0 million for the **Brownfield**
Program Description and Overview (Cont'd)

and Contaminated Site Reimbursement Fund, a $1.7 million, or 40 percent, increase over the FY 2002 adjusted appropriation. According to the Office of Management and Budget, this increase is based on the amount of approved and projected applications anticipated for FY 2003 to reimburse developers for the costs of remediation projects. The Brownfield Site Reimbursement Fund, a State grant program, reimburses developers for the cost 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 $14.5 million is recommended for the New Jersey Commission on Science and Technology. Of the total recommended appropriation, $632,000 is for the administrative expenses of the Commission and will support 9 positions in FY 2003. The balance of $13.9 million is recommended for Grants-In-Aid programs.

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 recommends that $11.8 million be provided 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 25 programs which received support in FY 2002, 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 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
Program Description and Overview (cont’d)

provide start-up businesses 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.

The FY 2003 budget recommendation no longer continues the FY 2002 appropriation of $4.775 million for the New Specialized Incubators Program. Through this program, 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. The Commission currently has five incubators under this program in the process of full operation, under construction, or at the fundraising stage. These include: Community Options Enterprises, Inc., Morristown; Burlington County College High Technology Incubator II, Mount Laurel; Fairleigh Dickinson University, Madison; NJIT/Enterprise Development Center III, Newark; and nVention/Sarnoff Corporation, Princeton. $5.3 million, or about 90% of available FY 2002 funding is targeted to lapse for deficit reduction, leaving only $142,000 available for the program. The Commission has conditionally approved the construction of two additional incubators in Glassboro (Rowan University) and Hoboken (Stevens Institute of Technology) subject to the availability of funding.

Funding for the Technology Transfer and Commercialization Program (TTCP) is no longer recommended in the FY 2003 budget, a reduction of $3.972 million. The TTCP, also known as the Springboard Fund, provides interest-free loans for emerging and start-up companies. The Springboard Fund awards are given to New Jersey based companies or those companies that plan to relocate to the State which have non-State matching funds (1:1 match). In FY 2002, 17 companies were awarded loans, but seven awardees did not receive loans due to the decision to use $4.7 million of this fund’s resources for deficit reduction. The 10 remaining loan recipients represent all regions of the State and include: Broadwave, Inc. in Union County; Ceremare Corporation in New Brunswick; Flexabar Corporation in Ocean County; Hydrocarbon Technologies, Inc. in Mercer County; INTELLIGEN, Inc. in Union County; Intelligent Sensing Technologies in Hudson County; Mckrofinish, Inc. in Essex County; Open Demand Systems in Bergen County; WorldScape Inc. in Somerset County; and MGM Computer Systems, Inc. in Gloucester County. In FY 2003 the Commission plans to continue providing counsel and assistance to recipient companies of Springboard loans.

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 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 of 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 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.
Program Description and Overview (Cont'd)

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 $15 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 2001 Annual Report, $763.3 million in financing was provided by the EDA to eligible businesses and not-for-profit organizations in 2001. Through these finances, 3,100 new, permanent jobs were created; 16,700 construction jobs were created, producing $1.4 billion in total investments in locations across the State. More than 7,550 manufacturers, distributors, service-producers 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, and municipal government and the private sector. The Commission's 2000 Annual Report states that a total of 664 projects were made in New Jersey, including 88 feature films, 4 television films, 93 television series and specials, 14 music videos, 149 industrial, educational, documentary and short films and 316 commercials. According to the Annual Report, these 664 projects contributed some $69.7 million to the New Jersey economy. Since 1978, nearly 8,314 films and television projects have been made within the State, generating some $648.2 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 fiscal assistance. Funding for these services is annually provided in the State budget. The FY 2003 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 created 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 currently consists of 27 zones in 29 municipalities. From 1984 to 1986, urban enterprise zones were designated in ten municipalities:
Program Description and Overview (cont'd)

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, West New York. The number of authorized zones increases from 27 to 30 when P.L. 2001, c.347 is fully implemented, with Bayonne, Roselle, and the Wildwoods qualifying as the three new zones. In addition, P.L. 2001, c.347 allows the Urban Enterprise Zone Authority to designate "UEZ-impacted business districts", economically distressed business districts that were negatively impacted by being adjacent to two or more urban enterprise zones with reduced sales tax rates. These districts can also offer the reduced sales tax rate.

One benefit of being designated a UEZ is that qualified UEZ businesses are permitted to charge 50 percent of the current 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 most recent economic development projects approved for funding are: $963,090 to Hillside for its Liberty Avenue Streetscape Beautification initiative: the projects include improvements for new sidewalks, crosswalks, trees, light poles, trash receptacles and benches; and $500,000 to Paterson for its Business Improvement Matching Grants Program: the program makes grants to area businesses for facade rehabilitation, new lighting, signage and landscaping.

The Governor's Budget recommends the transfer of interest earned in FY 2003 on balances in the UEZ Assistance Fund to the General Fund (page F-8). In FY 2003 the assistance fund, which consists of individual UEZ municipal accounts, is estimated to earn $6 million in interest.

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 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.

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 a board or officer therof:" 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).
### Fiscal and Personnel Summary

**AGENCY FUNDING BY SOURCE OF FUNDS ($000)**

**New Jersey Commerce and Economic Growth Commission and Related Economic Development Programs FY 2002-2003**

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>General Fund</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct State Services</td>
<td>$22,000</td>
<td>$21,109</td>
<td>$18,653</td>
<td>(15.2)%</td>
<td>(11.6)%</td>
</tr>
<tr>
<td>Grants-In-Aid</td>
<td>30,686</td>
<td>41,114</td>
<td>33,962</td>
<td>10.7%</td>
<td>(17.4)%</td>
</tr>
<tr>
<td>State Aid</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Capital Construction</td>
<td>166</td>
<td>0</td>
<td>0</td>
<td>(100.0)%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Debt Service</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>Sub-Total</strong></td>
<td>$52,852</td>
<td>$62,223</td>
<td>$52,615</td>
<td>(0.4)%</td>
<td>(15.4)%</td>
</tr>
<tr>
<td><strong>Property Tax Relief Fund</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct State Services</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Grants-In-Aid</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>State Aid</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>Sub-Total</strong></td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>Casino Revenue Fund</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Casino Control Fund</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>State Total</strong></td>
<td>$52,852</td>
<td>$62,223</td>
<td>$52,615</td>
<td>(0.4)%</td>
<td>(15.4)%</td>
</tr>
<tr>
<td><strong>Federal Funds</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Other Funds</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td>$53,954</td>
<td>$64,628</td>
<td>$55,020</td>
<td>2.0%</td>
<td>(14.9)%</td>
</tr>
</tbody>
</table>

**PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE**

<table>
<thead>
<tr>
<th>Source of Funds</th>
<th>Actual FY 2001</th>
<th>Revised FY 2002</th>
<th>Funded FY 2003</th>
<th>Percent Change 2001-03</th>
<th>Percent Change 2002-03</th>
</tr>
</thead>
<tbody>
<tr>
<td>State</td>
<td>131</td>
<td>130</td>
<td>130</td>
<td>(0.8)%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Federal</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>All Other</td>
<td>12</td>
<td>13</td>
<td>13</td>
<td>8.3%</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>Total Positions</strong></td>
<td>143</td>
<td>143</td>
<td>143</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

FY 2001 (as of December) and revised FY 2002 (as of September) personnel data reflect actual payroll counts. FY 2003 data reflect the number of positions funded.

**AFFIRMATIVE ACTION DATA**

<table>
<thead>
<tr>
<th>Category</th>
<th>Actual FY 2001</th>
<th>Revised FY 2002</th>
<th>Funded FY 2003</th>
<th>Percent Change 2001-03</th>
<th>Percent Change 2002-03</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Minority Percent</td>
<td>26.0%</td>
<td>28.0%</td>
<td>28.0%</td>
<td>----</td>
<td>----</td>
</tr>
</tbody>
</table>
Adj. Approp. Recomm. Dollar Percent Budget
FY 2002 FY 2003 Change Change Page

**ECONOMIC PLANNING AND DEVELOPMENT**

**GRANTS-IN-AID**

Brownfield and Contaminated Site Remediation Fund $4,300 $6,000 $1,700 39.5% D-463

According to the Office of Management and Budget, the $1.7 million increase is based on the amount of approved and projected applications for FY 2003 to reimburse developers for the costs of remediation projects.

**NEW JERSEY COMMERCE AND ECONOMIC GROWTH COMMISSION**

**DIRECT STATE SERVICES**

Special Purpose: New Jersey Commerce and Economic Growth Commission $19,999 $17,570 ($2,429) (12.1)% D-465

The decrease of $2.429 million reflects reductions in programs that were listed as line items in FY 2002 language provisions but are not listed for FY 2003, which include the following: Business Marketing Campaign ($2.0 million); Community Development Bank ($1.0 million); Business Information-Call Management Center ($25,000); New Jersey Israel Commission ($130,000); and the Promotion of Agricultural Exports ($150,000). In addition, Advertising and Promotion is recommended to receive a $2.0 million decrease. According to the Commission, the programs which are not listed (with the exception of the elimination of the Community Development Bank) in language provisions may receive funding from $3.3 million that is unallocated and is to be spent at the Commission's discretion. These decreases are partly offset by an additional $3.0 million for Nanotechnology. According to the Office of Management and Budget, any other decreases in this account are due to the 5 percent reduction implemented by the Governor and the Commission.

**GRANTS-IN-AID**

Bayshore Development Office Economic Development Activities $105 $0 ($105) (100.0)% D-465

The $105,000 reduction reflects the elimination of a legislative initiative.

### Significant Changes/New Programs ($000) (cont'd)

<table>
<thead>
<tr>
<th>Budget Item</th>
<th>Adj. Approp. FY 2002</th>
<th>Recomm. FY 2003</th>
<th>Dollar Change</th>
<th>Percent Change</th>
<th>Budget Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Specialized Incubators</td>
<td>$4,775</td>
<td>$0</td>
<td>($4,775)</td>
<td>(100.0)%</td>
<td>D-468</td>
</tr>
<tr>
<td>Technology Transfer Program</td>
<td>$3,972</td>
<td>$0</td>
<td>($3,972)</td>
<td>(100.0)%</td>
<td>D-468</td>
</tr>
</tbody>
</table>

The $8.7 million total decrease in Grants-In-Aid funding reflects the Administration's elimination of funding for New Specialized Incubators ($4.775 million) and the Technology Transfer Program ($3.972 million). The new incubators program was developed to add to the number of current established business incubators in the State which provide start-up and small firms with low cost office, small manufacturing and/or laboratory space and business assistance support. The Technology Transfer Program, or Springboard Fund, provides interest-free loans for emerging and start-up technology companies. In FY 2002, $5.3 million from the New Specialized Incubators program and $4.7 million from the Technology Transfer Program will be lapsed for deficit reduction (both accounts have balances from prior year appropriations).
Language Provisions

<table>
<thead>
<tr>
<th>2002 Appropriations Handbook</th>
<th>2003 Budget Recommendations</th>
</tr>
</thead>
<tbody>
<tr>
<td>p. B-191</td>
<td>p. D-466</td>
</tr>
</tbody>
</table>

Of the sum hereinabove appropriated for the New Jersey Commerce and Economic Growth Commission, there is no less than $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; $150,000 for the Promotion of Agricultural Exports; 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.

Of the sum hereinabove appropriated for the New Jersey Commerce and Economic Growth Commission, there is no less than $6,450,000 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; $150,000 for the Promotion of Agricultural Exports; $3,000,000 for Nanotechnology and other technologies; 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 $14.3 million of the $17.570 million special purpose appropriation recommended for the New Jersey Commerce and Economic Growth Commission. A new allocation of $3 million is recommended for Nanotechnology and other technologies. The FY 2002 programs not recommended for an allocation are as follows: Business Marketing Campaign ($2.0 million); Community Development Bank ($1.0 million); Business Information-Call Management Center ($25,000); New Jersey Israel Commission ($130,000); and the Promotion of Agricultural Exports ($150,000). In addition, Advertising and Promotion is recommended to receive a $2.0 million decrease. According to the Commission, the programs which are not listed in budget language, with the exception of the Community Development Bank ($1.0 million elimination in funding), are subject to receive funding in the $3.3 million that is allocated at the Commission’s
Language Provisions (Cont’d)

discretion in the special purpose appropriation.

2002 Appropriations Handbook

Of the amount allocated by the Commission for the Advertising and Promotion account, the Commission shall expend such amounts as the Chief Executive Officer and Secretary determines will encourage the optimum effective continuing operation of each of the Tourist Welcome Centers, including but not limited to, the transfer of the operation of the centers to private, non-profit entities, whether under lease arrangements or such other agreements as the director may determine.

Explanation

According to the Office of Management and Budget, this language is no longer recommended because the Commission does not wish to continue to privatize the operation of tourist welcome centers.

2003 Budget Recommendations

No comparable language.
Language Provisions (cont’d)

2002 Appropriations Handbook

p. B-192

Notwithstanding any provision of law to the contrary, of the amount deposited in the General Fund in accordance with subsection d. of section 21 of P.L. 1983, c.303 (C.52:27H-80), one-third thereof shall be credited to the enterprise zone assistance fund, and such sum is appropriated for allocation to those municipalities with designated enterprise zones, that effective on or after January 1, 2001, are in their final five-year period of zone designation. The amounts allocated to each respective account maintained by the State Treasurer for each enterprise zone shall be 33 1/3% of the monies deposited into the General Fund derived from the respective enterprise zone and shall be subject to all other terms and conditions imposed by law for such respective accounts.

Explanation

This language was not continued pursuant to P.L. 2001, c.347, which allows the extension of an eligible UEZ during the final five-year period of zone designation, therefore making the budget language unnecessary.

2003 Budget Recommendations

No comparable language.

2002 Appropriations Handbook

p. B-192

The unexpended balance as of June 30, 2001 for the Council of Economic Advisors is appropriated.

Explanation

According to the Office of Management and Budget, this language is no longer necessary because no balances will remain at the end of the fiscal year. As of May 2, 2002, $6,650 remains uncommitted for the Council of Economic Advisors.
Language Provisions (Cont’d)

2002 Appropriations Handbook

p. B-192

The unexpended balance as of June 30, 2001 in the Prosperity New Jersey, Inc. account is appropriated.

2003 Budget Recommendations

No comparable language.

Explanation

According to the Office of Management and Budget, this language is no longer necessary because no balances will remain at the end of the fiscal year. In FY 2002, $550,000 was appropriated for Prosperity New Jersey and as of May 2, 2002, all funds were expended.
Discussion Points

ECONOMIC PLANNING AND DEVELOPMENT

1. The New Jersey Motion Picture and Television Development Commission reported in 2000 that New Jersey ranked as the fifth busiest State for film production. Recently, the motion picture and television industry has received recognition from celebrities urging the State to provide economic incentives to bring more film making to New Jersey.

   • Question: What is the current national ranking of New Jersey for motion picture location? What are the goals of the Commission with regard to attracting film and television productions to the State in FY 2003?

2. The Governor's FY 2003 budget recommends $13.5 million for the Business Employment Incentive Program (BEIP). 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, based on State withholding taxes that are the result of new jobs created in New Jersey. The BEIP program was developed to be revenue neutral.

   • Question: How many grants were awarded in FY 2002? Please provide the number of full-time jobs created or relocated to the State as a result of these grants. What are BEIP's goals for FY 2003?

3. The Brownfield Site Reimbursement Program was created in 1998 to assist in the remediation of contaminated sites in New Jersey. This program was created by the "Brownfield and Contaminated Site Remediation Act" (C. 58:10B-1.1 et seq.) to provide financial incentives to parties who undertake the clean-up of a brownfield site. The Governor's FY 2003 budget recommends an increase of $1.7 million, or 39.5 percent, over last year's adjusted appropriation for the Brownfield and Contaminated Site Remediation Fund (C.58:10B-30). Last year, the Commission indicated that the FY 2002 objectives for the Brownfield Site Reimbursement Program were to fully execute 12 redevelopment agreements and to facilitate 72 pre-application meetings. The response also indicated that 14 applications for Redevelopment Agreements were in various stages of the approval process.

   • Question: Did the Commission reach the objective concerning the Brownfield Site Reimbursement Program for FY 2002? Please provide a cumulative list of the parties with approved redevelopment agreements, together with project descriptions and project investment, if any, leveraged by the grant program. Please be specific as to any other State-funded sources of investment in these projects. Please provide a breakdown of how the Commission plans to utilize the $6.0 million appropriated for the Brownfield and Contaminated Site Remediation Fund. What are the goals for the program in FY 2003?

NEW JERSEY COMMERCE AND ECONOMIC GROWTH COMMISSION

4. The Governor's Budget recommendation would allocate, through language (page D-466) no less than $14.315 million of the $17.615 million of the Direct State Services appropriation for specific purposes, leaving a net balance of $3.3 million to be allocated at the Commission's discretion. Also, there are five programs for which funds were earmarked by the FY 2002 budget language that are no longer assured funding under the proposed FY 2003 budget language. These include: the Business Marketing Campaign; New Jersey Israel Commission; Business Information-Call Management Center; Community Development Bank; and the Promotion of Agricultural Exports. According to the Office of Management and Budget, with the exception of the Community
Discussion Points (cont’d)

Development Bank, the other programs may be continued in FY 2003 by the Commission even though funding is not earmarked.

- **Question:** How does the Commission plan to use the $3.3 million not specifically allocated by budget language? Please specify whether activities assured funding in FY 2002 will be continued, and at what funding level. What have been the specific accomplishments of each program to date and what are their goals for FY 2003?

5. The Governor’s Budget earmarks $3.0 million in funding for nanotechnology and other technologies. According to the website, www.nanozine.com, nanotechnology is molecular manufacturing, building objects one atom or molecule at a time with programmed nanoscopic robot arms. Nanotechnology provides self-replicating machinery and self-assembling consumer goods made from cheap raw atoms. According to the budget overview on page D-451, the funds for nanotechnology "will provide for public/private partnerships to transform laboratory research and design into commercial products addressing critical issues from healthcare to the security and quality of our water systems."

- **Question:** Please detail how the Commission plans to utilize the funds for nanotechnology. What are the Commission’s goals with regard to nanotechnology? Will any additional personnel need to be hired to carry out these goals? How many New Jersey firms or institutions are at present actively engaged in nanotechnology research and development?

6. 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. The number of authorized zones increases from 27 to 30 when P.L. 2001, c.347 is fully implemented, with Bayonne, Roselle, and the Wildwoods qualifying as the three new zones. In addition, P.L. 2001, c.347 allows the Urban Enterprise Zone Authority to designate “UEZ-impacted business districts”, economically distressed business districts that were negatively impacted by being adjacent to two or more urban enterprise zones with reduced sales tax rates. These districts can also offer the reduced sales tax rate.

- **Question:** How would the Commission measure the success of the urban enterprise zone program? Have previous measurements of the program’s effects fully considered the program’s impact on adjacent business districts? Does the Commission plan to monitor the economic health of business districts adjacent to reduced sales tax zones? How many municipalities have business districts that might qualify as a UEZ-impacted district? How many have applied, or expressed an intention to apply for designation of these districts? How many are projected to be approved during FY 2003?

7. 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. Recently PNJ has received attention because the Governor has expressed intentions to use PNJ to strengthen the collaboration of the State's education and business communities.

- **Question:** Please describe PNJ’s accomplishments in fostering the collaborative relationships between education and business communities. What plans and/or programs
Discussion Points (cont'd)

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. According to the Commission, in response to one of last year's discussion points, proposed missions for FY 2002 were trade and investment missions to Egypt, Mexico, Chile and Brazil costing a total of approximately $100,000.

Question: During FY 2002 what missions have taken place and at what cost? What are the expected outcomes of these missions? Does the Commission plan on continuing trade missions and trade mission offices for FY 2003? If so, what are the expected outcomes and at what cost?

NEW JERSEY COMMISSION ON SCIENCE AND TECHNOLOGY

A recent audit of the Commission on Science and Technology by the State Auditor in the Office of Legislative Services found that one of the seven State funded incubators was not operating as intended. At the time of the audit, the Picatinny Innovation Center was housing tenants that were not start-up companies. The auditors recommended "that the commission discontinue funding the Picatinny Innovation Center unless it begins operating in accordance with the intent of the Technology Business Incubator Program". The Commission concurred with the recommendation of the auditors and proposed potential solutions to correct the problems at the Picatinny Innovation Center.

Question: Is the Picatinny Innovation Center currently in compliance with the intent of the Technology Business Incubator Program? What are the Commission's plans regarding the Picatinny Innovation Center?
Travel and tourism is the third largest retail industry in the United States and the second largest in New Jersey. However, throughout 2001, travel-related industries nation-wide suffered the effects of a weakening U.S. economy. In addition, the terrorist attacks of September 11, 2001 produced the dramatic effect of eroding consumer confidence in the safety and security of travel. Immediately following the attacks, air travel was grounded and normal business activity disrupted.

Since September 11, the federal government has attempted to rebuild consumer confidence with the passage of the Aviation and Transportation Security Act, which provides federal marshals on commercial flights, increases security in all areas of airports and provides for the federalization of screening security. Airlines, hotels and casinos also attempted to lure tourists back with steep discounting. The national travel industry has yet to fully recover. Countrywide hotel occupancy rates have not returned to normal, and room prices are not showing any year-over-year growth.

New Jersey has fared better in its tourism recovery than other parts of the country. The size of a given tourism market and the types of visitors that it attracts are influences on the type and speed of recovery. The bulk of travelers within New Jersey are also residents, hence, the State’s tourism industry depends largely on the fate of the New Jersey economy. Also, most inter-state travel occurs between adjacent and nearby states, which means that New Jersey’s tourism industry is affected more so by the regional economy, rather than the entire United States economy. Because New Jersey is a regional tourism destination, its tourism industry escaped the slowdown that plagued Las Vegas and other resort areas after September 11. New Jersey’s proximity to much of the Northeast's population, which makes it easily accessible by car or bus, also shielded it from much of the fallout suffered by airline-dependent destinations.

Prior to September 11, tourist destinations that drew visitors from national and international markets were considered better girded against recession than those which pulled strictly from local markets. Reliance on distance visitors, however, means reliance on air travel, which is something now viewed as a liability, given the public’s increased reluctance to fly. For example, hotel occupancy in Las Vegas, which relies on fly-in business for roughly half of its visitors each year, plunged 30 to 40 percent in September, 2001 and Harrah’s reported a nearly 40 percent drop in gaming revenue. In contrast, Atlantic City, which relies on drive-in traffic for over 95 percent of its visitors, saw gaming revenue drop only by 6.5 percent in September, 2001 compared with September, 2000. While significant, this is not a catastrophic decline, given that revenue had already posted year-over-year declines in four of the previous eight months.

Although New Jersey has fared better in its tourism recovery than other parts of the country, the State still struggled compared to 2000. Overall visitation was down by two percent for 2001, compared with 2000, according to the New Jersey 2001 Travel Year Interim Report by Longwoods International. However, overall travel expenditures by tourists increased slightly from $30.8 billion in 2000 to $31 billion in 2001. These expenditures support 836,000 jobs and generate $17.7 billion in wages for New Jersey. In addition, tourism also brings the State nearly $6 billion in tax revenues.

The New Jersey Office of Travel and Tourism of the Commerce and Economic Growth Commission is the State entity that tracks these tourism statistics and manages New Jersey’s tourism advertising budget and promotion strategy. The Office of Travel and Tourism represents New Jersey at travel trade consumer shows and meets with tour operators, wholesalers, group leaders, receptive service operators and travel agents to encourage New Jersey travel. Recently, the Office of Travel & Tourism has undertaken a upgrade of the State’s Welcome Centers by collaborating with the
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Tumpike Authority, the Department of Transportation and Host Marriott to modernize the quality of service at the Centers.

The Office of Travel and Tourism does not administer all of the State's tourism efforts. For example, the New Jersey State Council on the Arts ("NJSCA") operates as a division within the Department of State and its purpose is to encourage and give financial support to artists, arts organizations and projects through New Jersey. The NJSCA receives funding through direct appropriations from the State of New Jersey and grants from the National Endowment for the Arts. The New Jersey Historical Commission also operates within the Department of State and it provides general assistance to historical organizations, museums, historic sites and archives.

Over the past three fiscal years New Jersey has steadily increased its revenue generated by tourism. In FY 2000 $28.4 billion in revenue was generated by tourism; in FY 2001 $29.1 billion was generated and in FY 2002 $30 billion was generated. With this increase, the State has also seen a steady increase in program expenditures for the Office of Travel and Tourism in the Commerce and Economic Growth Commission. Since FY 2000, the budget has increased by $4 million dollars. Over the past four fiscal years, the travel and tourism cooperative marketing budget has stayed at the same level, approximately $1.8 million.

Advertising and Promotion is recommended to receive $6.5 million in funding in FY 2003, a $2.0 million decrease from FY 2002. Of the $6.5 million, $300,000 in development grants are restricted to six regional tourism councils. In addition, funding is earmarked in budget language for the Travel and Tourism Marketing Program, which totals $1.85 million.

New Jersey's tourism industry ranked seventh in the nation in 2001, despite a State tourism budget that ranks 23rd in size and 41st when compared to the size of the industry. In comparison, the top 10 state tourism budgets for FY 2001 were as follows: Illinois - $61.1 million; Hawaii - $61 million; Florida - $59.8 million; Pennsylvania - $45.9 million; Texas $32.2 million; Massachusetts - $24.5 million; Virginia - $22.9 million; New York - $19.9 million; Louisiana - $16.8 million; and Missouri - $16.4 million.
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Individuals wishing information and committee schedules on the FY 2003 budget are encouraged to contact:

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