

ANALYSIS OF THE NEW JERSEY  
FISCAL YEAR 2003 - 2004 BUDGET



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

PREPARED BY  
OFFICE OF LEGISLATIVE SERVICES  
NEW JERSEY LEGISLATURE  
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# NEW JERSEY COMMERCE AND ECONOMIC GROWTH COMMISSION AND RELATED ECONOMIC DEVELOPMENT PROGRAMS

Budget Pages..... C-14; C-21; D-443 to D-450; F-7

## Fiscal Summary (\$000)

	Expended FY 2002	Adjusted Appropriation FY 2003	Recommended FY 2004	Percent Change 2003-04
State Budgeted	\$52,882	\$57,461	\$12,241	(78.7)%
Federal Funds	0	0	0	—
<u>Other</u>	<u>\$1,534</u>	<u>\$2,405</u>	<u>0</u>	<u>(100.0)%</u>
Grand Total	\$54,416	\$59,866	\$12,241	(79.6)%

## Personnel Summary - Positions By Funding Source

	Actual FY 2002	Revised FY 2003	Funded FY 2004	Percent Change 2003-04
State	131	130	97	(25.4)%
Federal	0	0	0	—
<u>Other</u>	<u>13</u>	<u>13</u>	<u>12</u>	<u>(7.7)%</u>
Total Positions	144	143	109	(23.8)%

FY 2002 (as of December) and revised FY 2003 (as of September) personnel data reflect actual payroll counts. FY 2004 data reflect the number of positions funded.

## Introduction

The New Jersey Commerce and Economic Growth Commission was established on August 31, 1998, replacing the former Department of Commerce and Economic Development. P.L. 1998, c. 44 stipulates that the duties of the 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 Officer and Secretary who, by law, holds cabinet rank. For purposes of the State Constitution, the Commission is placed "in but not of" the Department of Treasury, but it operates independent of any supervision by the State Treasurer. However, the Commission's budget is displayed within Treasury.

**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 on Science and Technology; 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.

<b>New Jersey Commerce and Economic Growth Commission and Related Economic Development Programs (\$000)</b>			
	Expended FY 2002	Adjusted Appropriation FY 2003	Recommended FY 2004
<b>New Jersey Commerce and Economic Growth Commission</b>			
State Budgeted	\$18,915	\$19,677	\$12,241
Other	<u>1,534</u>	<u>2,405</u>	<u>0</u>
Subtotal	\$20,449	\$22,082	\$12,241
<b>Economic Planning and Development</b>			
State Budgeted	<u>\$17,547</u>	<u>\$23,915</u>	<u>\$0</u>
Subtotal	\$17,547	\$23,915	\$0
<b>New Jersey Commission on Science and Technology</b>			
State Budgeted	<u>\$16,420</u>	<u>\$13,869</u>	<u>\$0</u>
Subtotal	\$16,420	\$13,869	\$0
<b>Grand Total</b>	\$54,416	\$59,866	\$12,241

## Key Points

### NEW JERSEY COMMERCE AND ECONOMIC GROWTH COMMISSION

- The Governor's FY 2004 Budget recommends State funding of \$12.2 million for the New Jersey Commerce and Economic Growth Commission, a 37.8 percent decrease in State funding from the prior fiscal year. This decrease represents a reduction in funding of \$5.9 million for the New Jersey Commerce and Economic Growth Commission and elimination of funding for Statewide Local Tourism Development grants (\$1.5 million) and the Council of Economic Advisors (\$45,000).
- Approximately \$11.7 million of the \$12.2 million in State funds recommended for the Commission is a Grants-In-Aid appropriation for the Commission's programs and \$522,000 is for Prosperity New Jersey, Inc. 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 Grants-In-Aid line of \$11.7 million, budget language specifies the expenditure of \$9 million. Of the recommended total, at least the following amounts are allocated for the programs listed: Advertising and Promotion \$6 million, of which \$50,000 is allocated to each of the six regional tourism councils for regional tourism promotion; Business Retention, Expansion and Attraction, \$2.85 million, of which \$500,000 is for the New Jersey Small Business Development Centers; and \$130,000 for the New Jersey Israel Commission.
- The Administration intends to supplement the Commission's State funding with \$3.35 million from the Economic Recovery Fund (ERF), held and administered by the New Jersey Economic Development Authority. Budget footnotes on page D-447 indicate that \$1.85 million will be provided from the ERF for Travel and Tourism Cooperative Marketing Program and \$1.5 million for Nanotechnology.
- Combined State and ERF resources will provide level funding for the Commission's Travel and Tourism Cooperative Marketing Program and the New Jersey Israel Commission. Nanotechnology funding will decrease by \$1.5 million (50 percent), Advertising and Promotion by \$450,000 (7 percent), Business Retention, Expansion and Attraction by \$162,000 (5.4 percent) and undesignated Commission resources by \$389,000 (12.4 percent).
- The Governor's Budget recommends that interest earned on balances in the Urban Enterprise Zone Assistance Fund, estimated at \$3 million, be credited to the General Fund (General Fund Provision, page F-7).

### ECONOMIC PLANNING AND DEVELOPMENT

- The FY 2003 appropriation of \$23.5 million to the New Jersey Economic Development Authority for the Business Employment Incentive Program (BEIP), is discontinued in FY 2004. The Governor has previously stated that full funding for BEIP grants would require \$38 million in FY 2004.
- The Governor's budget recommends elimination of all funding for the Motion Picture and Television Development Commission. The New Jersey Motion Picture and Television Development Commission 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 governments and the

## Key Points (Cont'd)

private sector.

### NEW JERSEY COMMISSION ON SCIENCE AND TECHNOLOGY

- The Governor's Budget eliminates all funding for the New Jersey Commission on Science and Technology. The Commission was appropriated \$13.9 million in Grants-In-Aid funding in FY 2003. The Commission was established pursuant to P.L. 1985, c.102 (C.52:9X-1 et seq.) to develop and oversee programs in science and technology in New Jersey. According to the Department of Treasury's overview (page D-434) the Commission will continue to function in a limited capacity and will be evaluated for continuance upon review of a report by Rutgers University's Center for Public Productivity which was issued on January 15, 2003.

### Background Papers:

- New Jersey Commission on Science and Technology p. 21

## Program Description and Overview

The primary duties of the Commerce and Economic Growth 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, and 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 FY 2004 Budget recommends State funding of \$12.2 million for the New Jersey Commerce and Economic Growth Commission, a 37.8 percent decrease in State funding from the prior fiscal year. This decrease represents a reduction in funding of \$5.9 million for the Commission itself and elimination of funding for Statewide Local Tourism Development grants (\$1.5 million) and the Council of Economic Advisors (\$45,000). State and dedicated funding is provided for 109 positions in FY 2004. In December 2002, the Commission had 130 employees.

The actual drop in resources available to the Commission from FY 2003 to FY 2004 is not as great as the proposed drop in State funding would imply. A footnote on page D-447 of the Governor's budget indicates that the Commission's State-supported budget will be supplemented with \$3.35 million from the Economic Recovery Fund maintained by the New Jersey Economic Development Authority. The Economic Recovery Fund was created by law in 1992 and was capitalized with a \$235 million EDA bond sale backed by annual payments the State receives from the Port Authority of New York and New Jersey. The law created six accounts into which the bond proceeds were deposited, most of which have since been expended or committed. The Governor's budget would allocate \$1.85 million from the Economic Recovery Fund for Travel and Tourism

## Program Description and Overview (Cont'd)

Cooperative Marketing and \$1.5 million for nanotechnology investments.

The Governor's budget includes language which directs not less than \$9 million of the Commission's \$11.7 million Grants-In-Aid appropriation to specific programs or purposes. The dedicated allocations for FY 2003 and FY 2004 are as follows:

<u>Program</u>	<u>FY 2003 Adj. Approp.</u>	<u>FY 2004 Recommended</u>
Advertising and Promotion	\$6,450,000	\$6,000,000
Business Retention, Expansion and Attraction	3,015,000	2,853,000
Travel and Tourism Cooperative Marketing Program	1,850,000	0
New Jersey Israel Commission	130,000	130,000
Nanotechnology	<u>3,000,000</u>	<u>0</u>
Sub-total Language-Directed Programs	\$14,445,000	\$8,983,000
Discretionary Funding	\$3,137,000	\$2,736,000
Total, Commerce and Economic Growth Commission	\$17,582,000	\$11,719,000

**Advertising and Promotion** is recommended to receive \$6.0 million in funding in FY 2004, a \$450,000 decrease from FY 2003. Of the \$6.0 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 the State as "New Jersey and you perfect together." In addition, the recommended funds in FY 2004 will be used to augment existing travel and tourism brochures, tourist information centers, and the State web site.

Funding of \$2.853 million, a decrease of \$162,000 from FY 2003, 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. Of the \$2.853 million for Business Retention, Expansion and Attraction, \$500,000 is directed for New Jersey Small Business Development Centers (NJSBDC). The NJSBDCs provide a variety of educational and business resources to counsel and train small business owners to finance, market and manage their companies. In addition, the NJSBDC network provides opportunities for students to participate in research and receive business experience under the supervision of faculty and business professionals.

The **Travel and Tourism Cooperative Marketing Program** is recommended to receive continuation funding of approximately \$1.9 million in FY 2004, although from the Economic



## Program Description and Overview (Cont'd)

Recovery Fund, rather than from State resources. 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 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.

The Economic Recovery Fund will also provide \$1.5 million in funding for **Nanotechnology**, a decrease of \$1.5 million from the FY 2003 State appropriation. In FY 2003, \$2 million in funding was secured for the New Jersey Nanotechnology Consortium (NJNC) with the oversight of NJIT and EDA. According to a press release dated April, 1, 2003, with the participation of corporations, academic institutions and government, the NJNC develops cost-effective nanotechnology devices across a variety of industries. In addition, \$1 million in FY 2003 was secured for the study and development of an improved shunt (a flexible plastic tube inserted surgically in order to drain fluid from the ventricles to another part of the body) to treat hydrocephalus (commonly referred to as "water on the brain"). A project team consisting of scientific, engineering and medical researchers from NJIT, the NJNC, Harvard Medical School and the UMDNJ will conduct a study to compose a new "smart shunt" device using the latest technologies in micro-systems and bio-materials.

**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 \$522,000 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. This program has been inactive thus far in FY 2003.

## ECONOMIC PLANNING AND DEVELOPMENT

The Governor's budget discontinues all State funding in FY 2004 for Economic Development activities outside the Commerce Commission. In FY 2003, \$23.9 million was appropriated; including \$415,000 for the administrative expenses of the Motion Picture and Television Development Commission and \$23.5 million for Business Employment Incentive Program grants.

The **Business Employment Incentive Program (BEIP)** is administered by the New Jersey Economic Development Authority (EDA). Although the FY 2003 adjusted appropriation for BEIP is \$23.5 million, the Governor's office has estimated that FY 2004 costs will rise to \$38 million, since additional companies that have contracted with the State are at the point where they have become eligible to receive rebates.

## Program Description and Overview (Cont'd)

According to the EDA, a total of 463 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 2004 budget continues language appropriating up to \$6 million to the Brownfield Site Reimbursement Fund from the Sanitary Landfill Facility Contingency Fund. Prior to FY 2003, these grants were financed from the General Fund. The **Brownfield Site Reimbursement 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

The FY 2004 budget recommendation deletes all funding for the **New Jersey Commission on Science and Technology**. Of the \$14.5 million available to the Commission in FY 2003, \$11.8 million was provided for Research and Development grants and \$2.0 million was appropriated for Business Assistance grants. In the absence of FY 2003 appropriations for administrative expenses, approximately \$630,000 was reallocated to the Commission on Science and Technology.

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 eliminates the \$11.8 million appropriation to the Commission that provides grants-in-aid funding for **Research and Development (R&D) Programs**. Within these areas, the R&D Excellence Program provides competitive grant awards to university-based Research and Development projects.

In addition to the \$11.8 million for R&D programs, the budget also eliminates \$2.0 million 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.

The Commission helped create and supports seven business incubators which 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.

## 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 "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 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 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 **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. The EDA, through its subsidiary Schools Construction Corporation, finances and manages \$8.6 billion in school construction and renovation projects pursuant to the "Educational Facilities Construction and Financing Act" of 2000. EDA also finances a number of State authorized programs through issuance of contract bonds, such as the recent \$175 million Camden Economic Recovery bond issue.

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 Governor's budget discontinues funding for the Commission in FY 2004. The Commission's 2001 Annual Report states that a total of 692 film and television projects were made in New Jersey. According to the Annual Report, these 692 projects contributed \$63 million to the New Jersey economy. Since 1978, nearly 9,006 film and television projects have been made within the State, generating \$711 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. The \$45,000 appropriation to the council is eliminated in FY 2004. According to the Commission, the council will continue in a limited capacity.

## Program Description and Overview (Cont'd)

The **New Jersey 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 30 zones in 35 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. The number of authorized zones increased from 27 to 30 when P.L. 2001, c.347 was fully implemented, with Bayonne, Roselle, and the Wildwoods qualifying as the three new zones. In addition, P.L. 2001, c.347 allowed 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. According to the Commission, to date no districts have submitted applications in order to be designated "UEZ-impacted business districts."

One benefit of being designated a UEZ is that qualified UEZ businesses are permitted to charge half 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 most recent economic development projects approved for funding are: \$2.5 million to Carteret for its restoration program and other public improvements to advance the development of the city's commercial corridor and upgrade the atmosphere or the shopping areas and \$442,000 to the Passaic UEZ to purchase and install 32 security cameras in targeted areas of the UEZ that experience a high degree of pedestrian foot traffic, repeated graffiti tagging and/or high rates of crime at particular intersections.

In FY 2003, \$40 million was transferred from the UEZ Assistance Fund to the General Fund for State purposes. In FY 2004, the Governor's Budget recommends the transfer of interest on balances in the UEZ Assistance Fund to the General Fund (page F-7). In FY 2004 the assistance fund, which consists of individual UEZ municipal accounts, is estimated to earn \$3 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.

## Program Description and Overview (Cont'd)

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 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 Council (P.L.1995, c.209).

## Fiscal and Personnel Summary

### AGENCY FUNDING BY SOURCE OF FUNDS (\$000)

	Expended FY 2002	Adj. Approp. FY 2003	Recom. FY 2004	Percent Change	
				2002-04	2003-04
<b>General Fund</b>					
Direct State Services	\$1,129	\$415	\$0	(100.0)%	(100.0)%
Grants-In-Aid	51,753	57,046	12,241	(76.3)%	(78.5)%
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%
<b>Sub-Total</b>	<b>\$52,882</b>	<b>\$57,461</b>	<b>\$12,241</b>	<b>(76.9)%</b>	<b>(78.7)%</b>
<b>Property Tax Relief Fund</b>					
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%
<b>Sub-Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Casino Revenue Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Casino Control Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0%</b>	<b>0.0%</b>
<b>State Total</b>	<b>\$52,882</b>	<b>\$57,461</b>	<b>\$12,241</b>	<b>(76.9)%</b>	<b>(78.7)%</b>
<b>Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Other Funds</b>	<b>\$1,534</b>	<b>\$2,405</b>	<b>\$0</b>	<b>(100.0)%</b>	<b>(100.0)%</b>
<b>Grand Total</b>	<b>\$54,416</b>	<b>\$59,866</b>	<b>\$12,241</b>	<b>(77.5)%</b>	<b>(79.6)%</b>

### PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

	Actual FY 2002	Revised FY 2003	Funded FY 2004	Percent Change	
				2002-04	2003-04
State	131	130	97	(26.0)%	(25.4)%
Federal	0	0	0	0.0%	0.0%
All Other	13	13	12	(7.7)%	(7.7)%
<b>Total Positions</b>	<b>144</b>	<b>143</b>	<b>109</b>	<b>(24.3)%</b>	<b>(23.8)%</b>

FY 2002 (as of December) and revised FY 2003 (as of September) personnel data reflect actual payroll counts. FY 2004 data reflect the number of positions funded.

### AFFIRMATIVE ACTION DATA

Total Minority Percent	28%	28%	30%	----	----
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**Significant Changes/New Programs (\$000)**

<u>Budget Item</u>	<u>Adj. Approp. FY 2003</u>	<u>Recomm. FY 2004</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	\$415	\$0	(\$415)	(100.0)%	D-444
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The recommended FY 2004 budget eliminates funding for the **New Jersey Motion Picture and Television Commission**. The 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.

**GRANTS-IN-AID**

Business Employment Incentive Program	\$23,500	\$0	(\$23,500)	(100.0)%	D-44
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The Governor's budget eliminates all funding for the Business Employment Incentive Program (BEIP), which provides grants to businesses that relocate or expand in New Jersey and create new jobs in the process. Although the FY 2003 adjusted appropriation for BEIP is \$23.5 million, the Governor's office has estimated that FY 2004 costs will rise to \$38 million, since additional companies that have contracted with the State are at the point where they have become eligible to receive rebates. BEIP is administered by the New Jersey Economic Development Authority.

**NEW JERSEY COMMERCE AND ECONOMIC GROWTH COMMISSION**

**GRANTS-IN-AID**

Statewide Local Tourism and Development	\$1,500	\$0	(\$1,500)	(100.0)%	D-447
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The \$1.5 million reduction reflects the elimination of a legislative initiative grant program.

New Jersey Commerce and Economic Growth Commission	\$17,582	\$11,719	(\$5,863)	(33.3)%	D-447
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The decrease of \$5.863 million represents: the replacement of the Commission's FY 2003 State funding with \$3.35 million from the "off budget" Economic Recovery Fund for Nanotechnology (\$1.5 million; for a net decrease of \$1.5 million) and the Travel and Tourism Cooperation Marketing

**Significant Changes/New Programs (\$000) (Cont'd)**

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 2003</u>	<u>Recomm.</u> <u>FY 2004</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
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Program (\$1.85 million); a decrease of \$450,000 for Advertising and Promotion; a decrease of \$162,000 for Business Retention, Expansion and Attraction; and a decrease of \$389,000 for undesignated Commission resources.

<b>Council of Economic Advisors</b>	<b>\$45</b>	<b>\$0</b>	<b>(\$45)</b>	<b>(100.0)%</b>	<b>D-447</b>
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This reflects the elimination of discrete funding for the Council of Economic Advisors. This funding supported miscellaneous expenses of the Council; staffing is provided by the Commerce Commission. The Commission has indicated that the Council will continue in a limited capacity.

**NEW JERSEY COMMISSION ON SCIENCE AND TECHNOLOGY**

**GRANTS-IN-AID**

<b>New Jersey Commission on Science and Technology</b>	<b>\$13,869</b>	<b>\$0</b>	<b>(\$13,869)</b>	<b>(100.0)%</b>	<b>D-450</b>
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In FY 2004, all funding is discontinued for the New Jersey Commission on Science and Technology. The \$13.869 million decrease in Grant's-In-Aid funding reflects the elimination of funding for Research and Development Programs (\$11.825 million) and Business Assistance (\$2.044 million). The Commission was established pursuant to P.L.1985, c.102, to encourage the development of scientific and technological programs, stimulate academic-industrial collaboration and coordinate the activities of technological centers and businesses. The Commission's operating budget was supported by a transfer of funds in FY 2003; the eight-person staff would be terminated at the end of June 2003.



## Language Provisions

### 2003 Appropriations Handbook

#### p. B-167

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; \$3,000,000 for Nanotechnology and other technologies;**~~ \$130,000 for the New Jersey Israel Commission; except that any 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.

### 2004 Budget Recommendations

#### p. D-448

Of the sum hereinabove appropriated for the New Jersey Commerce and Economic Growth Commission, there is no less than **\$6,000,000** for Advertising and Promotion, from which \$50,000 shall be allocated to each of the six regional tourism councils for regional tourism promotion; **\$2,853,000** for Business Retention, Expansion and Attraction of which \$500,000 is for New Jersey Small Business Development Centers; \$130,000 for the New Jersey Israel Commission; except that any 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 dictates the allocation of \$8.98 million of the \$11.719 million special purpose appropriation recommended for the New Jersey Commerce and Economic Growth Commission. The Economic Recovery Fund (ERF), held and administered by the New Jersey Economic Development Authority, will supplement the Commission's State funding for the Travel and Tourism Cooperative Marketing Campaign and Nanotechnology. Budget footnotes on page D-447 indicate that \$1.85 million will be provided from the ERF for the Travel and Tourism Cooperative Marketing Program and \$1.5 million for Nanotechnology. Combined State and ERF resources will provide level funding for the Travel and Tourism Cooperative Marketing Program and the New Jersey Israel Commission. Nanotechnology funding will decrease by \$1.5 million (50 percent), Advertising and Promotion by \$450,000 (7 percent) and Business Retention, Expansion and Attraction by \$162,000 (5.4 percent).



## Language Provisions (Cont'd)

### 2003 Appropriations Handbook

p. B-167

Any grant from the amount allocated for Nanotechnology shall be conditioned on the New Jersey Commerce and Economic Growth Commission and the grant recipient entering into a contract with the State of New Jersey whereby the State shares in any financial proceeds, up to an aggregate amount of **\$3,000,000**, derived from the development, patenting, marketing, sale or other disposition of Nanotechnology attributable to such grants.

### 2004 Budget Recommendations

p. D-448

Any grant from the amount allocated for Nanotechnology **from the Economic Recovery Fund** shall be conditioned on the New Jersey Commerce and Economic Growth Commission and the grant recipient entering into a contract with the State of New Jersey whereby the State shares in any financial proceeds, up to an aggregate amount of **\$1,500,000**, derived from the development, patenting, marketing, sale or other disposition of Nanotechnology attributable to such grants.

### Explanation

This language reflects the change in Nanotechnology funding from State resources to the Economic Recovery Fund. In addition, Nanotechnology funding in FY 2004 will decrease by \$1.5 million, or 50 percent, from FY 2003. The language continues the Commerce and Economic Growth Commission's oversight of Nanotechnology contracts, and provides that the State will share in the profits from any nanotechnology venture that receives public funding.



Language Provisions (Cont'd)

2003 Appropriations Handbook

2004 Budget Recommendations

p. B-168

In addition to the amount hereinabove, there is appropriated to the Department of the Treasury on behalf of the New Jersey Economic Development Authority from the General Fund such sums as may be necessary to fund the Business Employment Incentive Program, the amount of which shall not exceed the total amount of revenues received as withholdings, as defined in section 2 of P.L. 1996, c.26 (C.34:1B-125), from all businesses receiving grants pursuant to the "Business Employment Incentive Program Act," P.L. 1996, c.26 (C.34:1B-124 et seq.), as certified by the Director of the Division of Taxation. The authority shall provide the Joint Budget Oversight Committee and the Director of Budget and Accounting, on or before November 1, 2002, with a report of the grants, including but not limited to, a summary of each grant agreement and the amount of each grant funded in that year.

No comparable language.

Explanation

No funding is provided for the Business Employment Incentive Program in FY 2004. Therefore, language allowing for supplemental appropriations is unnecessary.



2003 Appropriations Handbook

2004 Budget Recommendations

p. B-167

The unexpended balances as of June 30, 2002 in the Science and Technology grant accounts are appropriated.

No comparable language.

Explanation

According to the Commission on Science and Technology, this language is no longer necessary because no balances will remain at the end of the fiscal year, and because the Commission would receive no funding in FY 2004 under the Governor's budget proposal.



## Discussion Points

### ECONOMIC PLANNING AND DEVELOPMENT

1. The Governor's FY 2004 budget eliminates all funding for the Business Employment Incentive Program (BEIP), which provides grants to businesses that relocate or expand in New Jersey and create new jobs in the process. Under this seven-year old program, businesses may receive State grants for up to 80 percent of the amount of income taxes withheld and remitted by the business on account of new employees. Businesses may receive these grants for up to 10 years. The program is administered by the New Jersey Economic Development Authority (EDA).

Although the FY 2003 appropriation for BEIP is \$23.5 million, the Governor's office has estimated that FY 2004 costs will rise to \$38 million, since additional companies that have contracted with the State are at the point where they have become eligible to receive the rebates. The Governor's office has also suggested that the program is not being eliminated, but rather being "suspended" for one year due to the State's fiscal difficulties, and that it would be reconsidered for funding next year.

- **Question:** For those companies previously approved to participate in BEIP, will they be compensated for the loss of grants in FY 2004 by having their program eligibility extended for one year? How many BEIP grants were awarded in FY 2003? Please provide a summary of each grant agreement and the amount of each grant funded. In addition, please provide the number of full time jobs created or relocated to New Jersey as a result of these awards.

2. The recommended FY 2004 budget eliminates funding for the New Jersey Motion Picture and Television Commission. The 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. According to the Commission's 2001 Annual Report, a total of 692 projects were made in New Jersey, including 62 feature films, 2 television films, 112 television series and specials, 18 music videos, 172 industrial, education, documentary and short films and 326 commercials. These 692 projects contributed \$63 million to the New Jersey economy. Since 1978, nearly 9,006 films and television projects have been made within the State, generating \$711 million in revenue for New Jersey.

The five person commission received \$415,000 in State support in FY 2003. In a February 24, 2003 article in the Trenton Times, a spokesperson for the Governor was quoted as saying, "While the film commission is something we can all agree that is nice for the state to have, it's a luxury we can't afford right now."

- **Question:** What economic policy objective is the Administration intending to advance through the abolishment of the Motion Picture and Television Commission? Does the Administration plan on transferring the Commission's duties to another entity? How will the elimination of the funding for the Motion and Picture Commission impact the film and television industry in New Jersey? What is the projected revenue loss to the State upon eliminating the Commission in FY 2004?

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 2004 budget continues

## Discussion Points (Cont'd)

language appropriating up to \$6 million to the Brownfield Site Remediation Fund from the Sanitary Landfill Facility Contingency Fund. Last year, the Commission indicated that the FY 2003 objectives for the Brownfield Site Reimbursement Program were to fully execute 16 redevelopment agreements. The Commission also indicated that 18 applications for Redevelopment Agreements were in various stages of the approval process.

- **Question:** Has the Commission reached its objectives for FY 2003? Please provide a list of target projects for FY 2003, including project descriptions and the projected clean-up investment for each. What are the goals for the program in FY 2004?

### NEW JERSEY COMMERCE AND ECONOMIC GROWTH COMMISSION

4. Of the Commission's \$11.7 million budget, almost \$9 million would be earmarked for specific purposes through language (page D-448), leaving a net balance of \$2.7 million to be allocated at the Commission's discretion.

- **Question:** Please list the programs and amounts that the Commission plans to fund in FY 2004 out of its unrestricted funds, the \$2.7 million that is not specifically allocated by budget language. In addition, please provide the same information for FY 2003.

5. According to one online source, nanotechnology is a field of science whose goal is to control individual atoms and molecules to create computer chips and other devices that are thousands of times smaller than current technologies permit. In FY 2004, the Commerce Commission is recommended to receive \$1.5 million from the Economic Recovery Fund for nanotechnology grants. In FY 2003, \$3.0 million in State funding was earmarked for this purpose. In response to one of last year's discussion points, the Commission stated that its goal for nanotechnology is to assist in the development of the New Jersey Nanotechnology Consortium (NJNC).

- **Question:** Has the Commission achieved its stated goal in FY 2003 to support the NJNC? What stages of development is the NJNC in currently? What is the extent of the State's profit sharing participation in nanotechnology ventures with grant recipients? What are the Commission's goals for nanotechnology and the NJNC for FY 2004?

6a. 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 in those destinations. In a press release dated January 30, 2003 the Commission stated that trade missions to Greece and Bulgaria were under budget, totaling \$6,877. In addition to these missions, recent news articles report the Commission is planning trade trips to Africa, China and Hong Kong.

- **Question:** Please provide a listing of all current trade missions and the level of funding for each. Please list the monetary amount of New Jersey exports to each of the countries involved. What are the expected missions and level of funding for trade mission offices in FY 2004?

6b. In January 2003, the Commission signed a joint agreement with the U.S. Commercial

## Discussion Points (Cont'd)

Service, a branch of the U.S. Commerce Department, to foster international trade development for the State. Currently, New Jersey is ranked eighth among all states in exporting to world markets. During FY 2004, the State expects to export \$22.6 billion in goods, down \$6.2 billion or 21.5 percent, from a peak \$28.8 billion exported in FY 2001. With the recession as a backdrop for this decline, much of the loss in export value has been attributed to problems in the telecommunications industry, which has significantly retrenched in New Jersey.

- **Question:** Please detail the Commission's goals for increasing New Jersey exports. In addition, please explain the efforts to increase trade in FY 2004 which will result from the Commission and U.S. Commercial Service agreement.

7. Most recently with the struggling economy, war and the threat of terrorism, concerns have risen over the health of the travel and tourism industry. Evaluation data in the Governor's budget indicates that in FY 2004 an estimated \$30.1 billion in revenue and \$3.5 billion in tax revenue will be generated by tourism in the State. In a recent speech to tourism officials, the Governor reiterated the importance of this industry in New Jersey, and suggested that new approaches to both the financing and administration of tourism promotion may be in order.

- **Question:** What is the expected impact of the current economy, war and threat of terrorism on the travel and tourism industry in the State? Please describe the travel and tourism marketing goals and efforts to promote the State for FY 2004. Please amplify on the Governor's remarks, particularly the areas of the Office of Travel and Tourism and in possibly seeking financial assistance from independent State and bi-state authorities.

### NEW JERSEY COMMISSION ON SCIENCE AND TECHNOLOGY

8. The New Jersey Commission on Science and Technology was established pursuant to P.L. 1985, c.102. The Commission was established to encourage the development of scientific and technological programs, stimulate academic-industrial collaboration and coordinate the activities of technological centers and business activities. The Commission received \$13.9 million for its grant programs in FY 2003. In FY 2004, all funding would be discontinued under the Governor's proposal. According to the Department of Treasury's budget overview (page D-434) the Commission will continue to function in a limited capacity (although apparently without a budget or staff) and will be evaluated for continuance upon review of a report by Rutgers University's Center for Public Productivity, which was issued on January 15, 2003. The report, a "Comprehensive Analysis of the Management and Operational Effectiveness of the New Jersey Commission on Science and Technology," makes the following recommendations to the State: 1) retain the bipartisan Commission's members to make funding decisions about science and technology programs; 2) develop a high visibility advisory capacity in science and technology at the policy level; and 3) strengthen the management and evaluation capabilities of the Commission.

- **Question:** Please provide information concerning the impact which the activities and programs provided by the New Jersey Commission on Science and Technology have had on the State to date, specifically: the number of jobs which have been created through the Commission's efforts; the number of companies supported and assisted through funding mechanisms; and the projected revenues which have been brought to the State as a result of the Commission's programs. With the elimination of funding for the Commission, does the Administration have plans to offer financial support to nascent technology ventures through other means, such as pension fund investments or Economic Development Authority partnerships?

## Background Paper: The New Jersey Commission on Science and Technology

Budget Pages.... D-448 to D-450

The New Jersey Commission on Science and Technology (hereinafter referred to as the Commission) was established in 1985 pursuant to P.L.1985, c.102 (C.52:9X-1 et seq.), as a successor to the Governor's Commission on Science and Technology (Executive Order No. 12 of 1982). From its inception, the Commission's objective has been to develop and oversee programs in science and technology in New Jersey and it has accomplished this objective through various initiatives. To this end, the Commission promoted academic research and supports business development in science and technology fields to benefit the economy of the State. Over the past decade, an even greater emphasis has been placed on science and technology in the State as technological, research and scientific related business and employment have increased nationwide. The Commission programs, activities and grants funding have been among the primary vehicles used to assist the State in becoming competitive in the science and technology markets. Funded from General Fund revenues in the past, the Commission's funding is being eliminated through the FY 2004 budget proposal and its future and therefore that of the initiatives it has supported, at this point is uncertain.

### BACKGROUND

The focus of the Commission and financial support for its programs has fluctuated since its establishment in 1985. From 1985 to 1992, the Commission was focused on research and development initiatives. As a result, the establishment and support of Advanced Technology Centers (ATC's), were the primary objectives for the Commission. ATC's are housed at the State's research universities in order to provide leading-edge research in fields identified as critical to the State's economic destiny. These fields consist of biotechnology, advanced materials, information technology and environmental protection technology. Subsequently, all of the ATC's have been "launched" into independent entities and no longer need financial support from the Commission. These ATC's and their sponsoring institutions include: the Center for Advanced Food Technology (Rutgers); Hazardous Substance Management Research Center (NJIT, Princeton, Rutgers, Stevens and UMDNJ); Center for Advanced Biotechnology and Medicine (Rutgers and UMDNJ); Biotechnology Center for Agriculture and the Environment (Rutgers); Center for Ceramic and Composite Materials Research (Rutgers); Fiber Optic Materials Research Program (Rutgers); Center for Photonic and Optoelectronic Materials (Princeton); Center for Advanced Information Processing (Rutgers); Discrete Mathematics and Theoretical Computer Science (Rutgers, Princeton); and Center for Manufacturing Systems (NJIT).

In FY 1993 the Commission determined that the research strength at the ATC's had been sufficiently established. As a result, the Commission concluded that the State's investment in technology transfer and business development programs should also become priorities. Therefore, beginning in FY 1994, the Commission funded out of its total budget: ten percent to technology transfer; five percent for technology extension centers; and four percent for business development, leaving the balance to support the ATCs. By FY 1997 the Commission expressed having difficulty reallocating limited resources in a line item format. To remedy this, the Commission consolidated its former line items in the budget into two categories, "Research and Development" and "Business Assistance," which created more flexibility in funding. The history of funding for the Commission's programs, since that consolidation in FY 1997, as discussed in further detail below, is reflected in the following table.

Background Paper: The New Jersey Commission on Science and  
Technology(Cont'd)

Commission Grants-In-Aid Funding, FY 1997-FY 2004  
Amounts in Thousands

Fiscal Year	Funding	Research and Development Grants	Business Assistance Grants	New Specialized Incubators	Technology Transfer Program	Total
1997	Reapprop./Transfer	7	100	-	-	107
1997	Appropriated	11,958	*2,726	-	-	14,684
1997	Expended	11,900	2,606	-	-	14,506
1998	Reapprop./Transfer	1	(19)	-	10	(8)
1998	Appropriated	11,958	2,095	-	631	14,684
1998	Expended	11,838	1,962	-	610	14,410
1999	Reapprop./Transfer	120	62	-	-	182
1999	Appropriated	11,958	2,095	-	5,031	19,084
1999	Expended	11,872	2,157	-	3,192	17,221
2000	Reapprop./Transfer	206	59	-	1,839	2,104
2000	Appropriated	11,958	2,095	-	4,972	19,025
2000	Expended	12,079	2,142	-	4,172	18,393
2001	Reapprop./Transfer	85	(54)	(80)	2,829	2,780
2001	Appropriated	11,838	2,095	5,000	4,972	23,905
2001	Expended	11,911	1,822	4,203	4,939	22,875
2002	Reapprop./Transfer	72	197	667	2,884	3,820
2002	Appropriated	11,825	2,087	4,775	3,972	22,659
2002	Expended	11,512	2,079	43	2,091	15,725
2003	Reapprop./Transfer	951	(6)	585	293	1,823
2003	Appropriated	11,825	2,044	-	-	13,869
2003	Expended (est.)	11,825	2,044	585	293	14,747
2004	Reapprop/Transfer	-	-	-	-	-
2004	Appropriated	-	-	-	-	-
Total	Appropriated	83,320	15,237	9,775	19,578	127,910
	Expended	82,937	14,812	4,831	15,297	117,877

\* Activity for the Technology Transfer Program in FY 1997 is reflected in the Business Assistance line.

RESEARCH AND DEVELOPMENT PROGRAMS

The funding which was previously appropriated to the ATC's, amounting to approximately \$12 million, was consolidated in FY 1997 under the "Research and Development" (R&D) program. Under the R&D program, the ATC focus shifted to a new emphasis on the R&D Excellence grant program, which provides competitive grant awards to university-based R&D projects. R&D Excellence programs differ from the ATCs because the R&D Excellence Programs are established on a smaller scale (\$5 million commitment rates rather than the \$20 million commitment of ATCs) and are set to "sunset" after five years to allow more opportunities for potential awardees.



## Background Paper: The New Jersey Commission on Science and Technology (Cont'd)

### R&D EXCELLENCE PROGRAM

Specifically, R&D Excellence programs promote the partnership between academic institutions and industry to create or build on science and technology products or processes that may have a potential impact on the New Jersey economy. The R&D Excellence program has been funded at approximately \$12 million every year since FY 1997. Currently, there are 20 ongoing R&D Excellence programs supported by the Commission, each running from three to five years. These 20 programs, sponsored by NJIT, Rutgers, Princeton, Stevens and UMDNJ, were projected by the Commission to receive \$20 million in grants from FY 2004 to FY 2007.

### **BUSINESS ASSISTANCE GRANT PROGRAMS**

In FY 1997, "Business Assistance" programs were organized within the Commission under one funding item. The Business Assistance funding initially provided support for the Technology Extension Programs (including the New Jersey Manufacturing Extension Program), Business Incubator Facilities and Technology Transfer Programs.

### BUSINESS INCUBATORS

The Commission has one of the oldest incubator programs in the nation. Since 1988, the Commission has provided grants in order to plan and operate technology incubators. Business incubators provide start-up and small businesses with affordable office space, financing and business support. The number of incubators in New Jersey total 11, a small number in comparison with the neighboring states of Pennsylvania (49) and New York (42). Funding of incubators has remained relatively low, compared to the rest of the Commission's budget. For example, for FY 2003, approximately \$75,000 is projected by the Commission to support nine of 11 incubators, totaling \$675,000 in funding.

In FY 2001, the Business Incubator program received a large boost through the creation of the New Specialized Incubators initiative with a \$5 million appropriation. With the increase in incubator funding, the Commission's objective was to double the number of business incubators in New Jersey within two years. The new incubators, like the existing incubators, were to join with colleges and universities and have multiple committed partners such as corporations, federal programs and other State-sponsored programs. The New Specialized Incubator program was halted first by the diversion of \$5.3 million in program funds for deficit reduction by the Governor in FY 2002, and second by the elimination of additional funds for FY 2003. Given these circumstances, the incubator expansion initiative effectively ended in FY 2002, having provided \$4.8 million in assistance to incubators.

### TECHNOLOGY TRANSFER PROGRAM (SPRINGBOARD FUND)

The Technology Transfer and Commercialization Program (TTCP), later renamed the Springboard Fund, provided interest-free loans from \$50,000 to \$250,000 for emerging and start-up technology companies. The Commission developed its first round of competition for these loans in FY 1997. The Springboard Fund awards were given to New Jersey based companies or those companies that planned to relocate to the State and had available non-State matching funds (1:1 match). The match could be satisfied by the company itself, through third party investors or

## Background Paper: The New Jersey Commission on Science and Technology (Cont'd)

collaborators. Each company that submitted proposals for funding had to demonstrate that its products or processes had commercial impact potential.

In FY 1999, the number of companies receiving grants increased with a large eight-fold increase in funding for the TTCP/Springboard Fund, from \$631,000 in FY 1998 to \$5.0 million in FY 1999. Typically the number of Springboard Fund recipients ranged from 14 to 20 companies per year, but during the lifetime of the Springboard program, funding awards never consumed available resources. From FY 2000 to FY 2002, between \$1.8 million and \$2.9 million in unspent funds were carried forward from the previous year to the next for this program. This was due to a variety of factors: 1) in FY 1999, with the large increase in funding and a newly developed program, only a limited time period remained for applications and awards; 2) one particularly bad quarter of competition during the early years of the program produced an inadequate pool of award candidates, which left unspent funding carrying over to subsequent years; and 3) the program ran on three quarters rather than four due to processing constraints, limiting the number of awards. In FY 2002, the program was halted when the Governor placed on reserve \$4.7 million in order to aid in the FY 2002 deficit reduction. Subsequently, in FY 2003, funding of close to \$5 million was not continued for the TTCP/Springboard Fund.

### FY 2003 Commission Budget and Recommended FY 2004 Commission Budget

With the elimination of two of its programs (New Specialized Incubators and Springboard Fund), the Commission in FY 2003 focused on granting funds out of their two core programs of Business Assistance and Research and Development. R&D funding of \$12.0 million in FY 2003 was primarily spent on the R&D Excellence Program. The Commission divided the Business Assistance funds among: incubators (totaling \$675,000); New Jersey Manufacturing Extension Program (an assistance program for manufacturing companies in the State, \$1.0 million); promotion and marketing (\$160,000); and small awards (\$150,000).

According to the Department of Treasury's budget overview (page D-434), the Commission will be evaluated for continuance upon review of an evaluation report by Rutgers University's Center for Public Productivity, which was issued on January 15, 2003. The report, a "Comprehensive Analysis of the Management and Operational Effectiveness of the New Jersey Commission on Science and Technology," makes the following recommendations to the State: 1) retain the bipartisan Commission's membership to make funding decisions about science and technology programs; 2) develop a high visibility advisory capacity in science and technology at the policy level; and 3) strengthen the management and evaluation capabilities of the Commission. The FY 2004 Budget eliminates all funding for the Commission, closing out a somewhat tenuous period in the Commission's existence. On April 15, 2003, Governor McGreevey issued an Executive Order creating a 45-member Commission on Jobs, Growth and Economic Development. One of the charges to the new Commission, which has no funding source, is to "identify emerging technologies of strategic importance to New Jersey and resources to support their emerging technologies in collaboration with and for the benefit of both New Jersey's industrial and academic sectors in order to maximize the investment of research dollars in the State."

## OFFICE OF LEGISLATIVE SERVICES

The Office of Legislative Services provides nonpartisan assistance to the State Legislature in the areas of legal, fiscal, research, bill drafting, committee staffing and administrative services. It operates under the jurisdiction of the Legislative Services Commission, a bipartisan body consisting of eight members of each House. The Executive Director supervises and directs the Office of Legislative Services.

The Legislative Budget and Finance Officer is the chief fiscal officer for the Legislature. The Legislative Budget and Finance Officer collects and presents fiscal information for the Legislature; serves as Secretary to the Joint Budget Oversight Committee; attends upon the Appropriations Committees during review of the Governor's Budget recommendations; reports on such matters as the committees or Legislature may direct; administers the fiscal note process and has statutory responsibilities for the review of appropriations transfers and other State fiscal transactions.

The Office of Legislative Services Central Staff provides a variety of legal, fiscal, research and administrative services to individual legislators, legislative officers, legislative committees and commissions, and partisan staff. The central staff is organized under the Central Staff Management Unit into ten subject area sections. Each section, under a section chief, includes legal, fiscal, and research staff for the standing reference committees of the Legislature and, upon request, to special commissions created by the Legislature. The central staff assists the Legislative Budget and Finance Officer in providing services to the Appropriations Committees during the budget review process.

Individuals wishing information and committee schedules on the FY 2004 budget are encouraged to contact:

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