



ANALYSIS OF THE NEW JERSEY BUDGET

COMMERCE AND ECONOMIC GROWTH COMMISSION

AND RELATED ECONOMIC
DEVELOPMENT PROGRAMS

FISCAL YEAR

2004 - 2005

**PREPARED BY OFFICE OF LEGISLATIVE SERVICES
NEW JERSEY LEGISLATURE • MAY 2004**

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

Budget Pages..... C-18; C-26; D-400 to D-406; F-6

Fiscal Summary (\$000)

	Expended FY 2003	Adjusted Appropriation FY 2004	Recommended FY 2005	Percent Change 2004-05
State Budgeted	\$64,764	\$24,400	\$29,903	22.6%
Federal Funds	0	0	0	—
<u>Other</u>	<u>\$1,633</u>	<u>\$4,249</u>	<u>\$2,099</u>	<u>(50.6)%</u>
Grand Total	\$66,397	\$28,649	\$32,002	11.7%

Personnel Summary - Positions By Funding Source

	Actual FY 2003	Revised FY 2004	Funded FY 2005	Percent Change 2004-05
State	109	107	108	0.9%
Federal	0	0	0	—
<u>Other</u>	<u>14</u>	<u>15</u>	<u>15</u>	<u>0.0%</u>
Total Positions	123	122	123	0.8%

FY 2003 (as of December) and revised FY 2004 (as of September) personnel data reflect actual payroll counts. FY 2005 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. 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.

New Jersey Commerce and Economic Growth Commission and Related Economic Development Programs (\$000)			
	Expended FY 2003	Adjusted Appropriation FY 2004	Recommended FY 2005
New Jersey Commerce and Economic Growth Commission			
State Budgeted	\$18,845	\$15,832	\$20,851
Other	<u>1,633</u>	<u>4,249</u>	<u>2,099</u>
Subtotal	\$20,478	\$20,081	\$22,950
Economic Planning and Development			
State Budgeted	<u>\$31,661</u>	<u>\$568</u>	<u>\$1,052</u>
Subtotal	\$31,661	\$568	\$1,052
New Jersey Commission on Science and Technology			
State Budgeted	<u>\$14,258</u>	<u>\$8,000</u>	<u>\$8,000</u>
Subtotal	\$14,258	\$8,000	\$8,000
Grand Total	\$66,397	\$28,649	\$32,002

Key Points

NEW JERSEY COMMERCE AND ECONOMIC GROWTH COMMISSION

- The Governor's FY 2005 Budget recommends State funding of \$20.9 million for the New Jersey Commerce and Economic Growth Commission, a 31.7 percent increase in State funding from the prior fiscal year. This increase represents an increase in funding of \$5 million for the New Jersey Commerce and Economic Growth Commission.
- Approximately \$20.3 million of the \$20.9 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 and expand job opportunities in the State.
- Although the Commission's budget is displayed as a single Grants-In-Aid line of \$20.3 million, budget language specifies the expenditure of \$17.6 million. Of the recommended total, at least the following amounts are allocated for the programs listed: Advertising and Promotion \$12.76 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 New Jersey Small Business Development Centers; \$130,000 for the New Jersey Israel Commission; and \$1.85 million for the Travel and Tourism Cooperative Marketing Campaign.
- Included in the increase of \$5 million in the Commission's budget are increases for Advertising and Promotion and the Travel and Tourism Cooperative Marketing Campaign. Specifically, the increase represents: the replacement of the Commission's FY 2004 "off-budget" funding from the Economic Recovery Fund with \$1.85 million in state funding for the Travel and Tourism Cooperative Marketing Campaign Program; and \$3.2 million in revenue from the hotel occupancy tax for Advertising and Promotion.
- The Governor's Budget recommends that interest earned on balances in the Urban Enterprise Zone Assistance Fund, estimated at \$2.05 million, be credited to the General Fund (General Fund Provisions, page F-6).
- A language provision concerning Nanotechnology is no longer continued in the recommended FY 2005 budget. Grants for Nanotechnology were funded in FY 2004 from the Economic Recovery Fund.

ECONOMIC PLANNING AND DEVELOPMENT

- The Governor's proposed budget includes a new appropriation of \$600,000 for the Hispanic Business Owners Outreach Program.
- The FY 2004 appropriation of \$116,000 to the Commission on Jobs, Growth and Economic Development is discontinued in FY 2005.
- Discontinued and new language provisions concern the Brownfield Site Reimbursement Fund. Pursuant to amendments to Article VIII, Section II, paragraph 6 of the State Constitution, dedicated Corporation Business Tax resources will replace other State funding for the Fund. The Fund provides developers with loans of up to 75 percent of costs incurred in contaminated site cleanups.

Key Points (Cont'd)

NEW JERSEY COMMISSION ON SCIENCE AND TECHNOLOGY

- Continuation Grants-In-Aid funding of \$8.0 million is recommended for Science and Technology Grants. Of this \$8.0 million, up to \$500,000 is allocated for the administrative expenses of the Commission.

Program Description and Overview

The primary duties of the Commerce and Economic Growth Commission are to coordinate 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.

The Commission oversees the following activities and programs:

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."

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 puts 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's** mission is to promote New Jersey as a travel destination and to promote tourism as a component of the State's economic growth

Program Description and Overview (Cont'd)

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.

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.

The **New Jersey Israel 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, tourism and education.

ECONOMIC PLANNING AND DEVELOPMENT; 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 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.

The **Business Employment Incentive Program (BEIP)** is administered by the EDA. The eight year old program was altered in FY 2004, pursuant to P.L. 2003, c.166. Among other things, the legislation provides changes in BEIP program amounts, grant caps per employee, job creation requirements for grant eligibility, eligible position requirements, designated industry requirements, and business documentation. The legislation also authorizes the issuance by the EDA of State

Program Description and Overview (Cont'd)

contract bonds as a source of BEIP grant funding. In December 2003, the issuance of up to \$301 million in bonds was approved by the Joint Budget Oversight Committee for BEIP grants from FY 2004 to FY 2007.

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.

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. According to the Commission, a total of 829 film and television projects were made in New Jersey. These 829 projects contributed \$78 million to the New Jersey economy. Since 1978, nearly 10,636 film and television projects have been made within the State, generating \$860 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 **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 the nine member authority, four of whom are ex officio; five are public members.

The Urban Enterprise Zone (UEZ) program currently consists of 31 zones in 36 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. Most recently, Gloucester City was authorized to UEZ status as the 31st zone, pursuant to P.L. 2003, c.285. 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

Program Description and Overview (Cont'd)

negatively impacted by being adjacent to two or more urban enterprise zones with reduced sales tax rates. These districts can now also offer the reduced sales tax rate.

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 include 13 projects worth \$3.8 million in the UEZ municipalities of Bayonne, Bridgeton, Camden, Elizabeth, Irvington, Jersey City, Newark, Orange Township, Passaic and Phillipsburg.

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 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).

NEW JERSEY COMMISSION ON SCIENCE AND TECHNOLOGY

The New Jersey Commission on Science and Technology was established in 1985 pursuant to P.L.1985, c.102, 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 has promoted academic research and supports business development in science and technology fields to benefit the economy of the State.

Fiscal and Personnel Summary

AGENCY FUNDING BY SOURCE OF FUNDS (\$000)

	Expended FY 2003	Adj. Approp. FY 2004	Recom. FY 2005	Percent Change	
				2003-05	2004-05
General Fund					
Direct State Services	\$1,066	\$452	\$452	(57.6)%	0.0%
Grants-In-Aid	63,698	23,948	29,451	(53.8)%	23.0%
State Aid	0	0	0	0.0%	0.0%
Capital Construction	0	0	0	0.0%	0.0%
Debt Service	0	0	0	0.0%	0.0%
Sub-Total	\$64,764	\$24,400	\$29,903	(53.8)%	22.6%
Property Tax Relief Fund					
Direct State Services	\$0	\$0	\$0	0.0%	0.0%
Grants-In-Aid	0	0	0	0.0%	0.0%
State Aid	0	0	0	0.0%	0.0%
Sub-Total	\$0	\$0	\$0	0.0%	0.0%
Casino Revenue Fund	\$0	\$0	\$0	0.0%	0.0%
Casino Control Fund	\$0	\$0	\$0	0.0%	0.0%
State Total	\$64,764	\$24,400	\$29,903	(53.8)%	22.6%
Federal Funds	\$0	\$0	\$0	0.0%	0.0%
Other Funds	\$1,633	\$4,249	\$2,099	28.5%	(50.6)%
Grand Total	\$66,397	\$28,649	\$32,002	(51.8)%	11.7%

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

	Actual FY 2003	Revised FY 2004	Funded FY 2005	Percent Change	
				2003-05	2004-05
State	109	107	108	(0.9)%	0.9%
Federal	0	0	0	0.0%	0.0%
All Other	14	15	15	7.1%	0.0%
Total Positions	123	122	123	0.0%	0.8%

FY 2003 (as of December) and revised FY 2004 (as of September) personnel data reflect actual payroll counts. FY 2005 data reflect the number of positions funded.

AFFIRMATIVE ACTION DATA

Total Minority Percent	33%	42%	42%	----	----
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Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp. FY 2004</u>	<u>Recomm. FY 2005</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
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ECONOMIC PLANNING AND DEVELOPMENT

GRANTS-IN-AID

Hispanic Business
Owners Outreach
Program

\$0	\$600	\$600	—	D-401
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The Governor's proposed FY 2005 budget includes a new appropriation of \$600,000 for the Hispanic Business Owners Outreach Program initiative. No details are available about this program, which is to be administered by the New Jersey Economic Development Authority.

Commission on Jobs,
Growth and Economic
Development - EDA

\$116	\$0	(\$116)	(100.0)%	D-401
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The \$116,000 reduction reflects the elimination of a legislative initiative.

NEW JERSEY COMMERCE AND ECONOMIC GROWTH COMMISSION

GRANTS-IN-AID

New Jersey Commerce
and Economic Growth
Commission

\$15,310	\$20,329	\$5,019	32.8%	D-403
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The increase of \$5.019 million represents: the replacement of the Commission's FY 2004 "off budget" funding from the Economic Recovery Fund with \$1.85 million in State funding for the Travel and Tourism Cooperative Marketing Campaign Program; and \$3.169 million in revenue from the hotel occupancy tax for Advertising and Promotion. In FY 2005, 12.76 percent or a minimum of \$12.76 million from the tax is dedicated to this purpose, and the Governor's Budget recommends the statutory minimum.

Language Provisions

2004 Appropriations Handbook

2005 Budget Recommendations

p. B-170

Notwithstanding the provisions of any law to the contrary, there is appropriated from the Sanitary Landfill Facility Contingency Fund up to \$6,000,000 for the Brownfield Site Reimbursement Fund for the issuing of payments under the provisions of P.L. 1997, c.278, subject to the approval of the Director of the Division of Budget and Accounting.

No comparable language.

Explanation

This language is no longer necessary as a result of amendments to Article VIII, Section II, paragraph 6 of the State Constitution. Pursuant to these amendments, dedicated Corporate Business Tax resources will replace other State funding for the Brownfield Site Reimbursement Fund. The Brownfield Site Reimbursement Fund provides developers with loans of up to 75 percent of costs incurred in contaminated site cleanups. The dedicated CBT resources dollar amount for the Brownfield Site Reimbursement Fund is not known. Currently, data is not available concerning the grant amounts projected in FY 2005, including existing Brownfield grant commitments or potential new awards.

2004 Appropriations Handbook

2005 Budget Recommendations

p. B-170

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

No comparable language.

Explanation

As explained above, the dedicated Corporation Business Tax resources will replace State funding for the Brownfield Site Reimbursement Fund. Therefore, language allowing for supplemental appropriations is unnecessary.

Language Provisions (Cont'd)

2004 Appropriations Handbook

No comparable language.

2005 Budget Recommendations

p. D-401

Funds made available for the remediation of the discharges of hazardous substances pursuant to the amendments effective December 4, 2003, to Article VIII, Section II, paragraph 6 of the State Constitution, shall be allocated to the Brownfield Site Reimbursement Fund, established pursuant to P.L. 1997, c. 278, in an amount to be determined by the Director of the Division of Taxation, and subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

This language reflects the change in Brownfield Site Reimbursement Fund resources. The proposed language allocates Corporate Business Tax revenues to the Brownfield Site Reimbursement Fund for developer grants. Specifically, these Brownfield site funds are to be used to clean up discharge of hazardous substances.



Language Provisions (Cont'd)

2004 Appropriations Handbook

p. B-186

Of the sum hereinabove appropriated for the New Jersey Commerce and Economic Growth Commission, there is no less than **\$9,591,000** for Advertising and Promotion ~~and the Travel and Tourism Marketing Program~~, 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.

2005 Budget Recommendations

p. D-403

Of the sum hereinabove appropriated for the New Jersey Commerce and Economic Growth Commission, there is no less than **\$12,760,000** 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; and \$1,850,000 for the Travel and Tourism Cooperative Marketing Program; except that any amount for the Cooperative Marketing Program is available for expenditure only 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

The language dictates the allocation of \$17.593 million of the \$20.329 million Grants-In-Aid appropriation for the New Jersey Commerce and Economic Growth Commission. Advertising and Promotion is recommended to receive a \$3.2 million increase attributed to revenue from the hotel occupancy tax. In addition, the Travel and Tourism Cooperative Marketing Campaign is subject to receive \$1.85 million in State funding to replace "off-budget" funding from the Economic Recovery Fund.



Language Provisions (Cont'd)

2004 Appropriations Handbook

2005 Budget Recommendations

p. B-169

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.

No comparable language.

Explanation

According to the Office of Management and Budget, this language is discontinued because the Commission's Nanotechnology initiative has accomplished the program goals and obligations through FY 2004.



Discussion Points

ECONOMIC PLANNING AND DEVELOPMENT

1. The New Jersey Development Authority for Small Businesses, Minorities and Women's Enterprises (NJDA) assists small businesses, minority-owned and woman-owned enterprises, and individuals who are planning to launch or expand a new business. In addition, the New Jersey Economic Development Authority (EDA) offers a number of business incentives and assistance to business owners and potential business owners. The FY 2005 budget recommends a \$600,000 Grants-In-Aid appropriation for a new Hispanic Business Owners Outreach Program in the EDA.

- **Question:** Please detail how the EDA plans to utilize funding for the Hispanic Business Owners Outreach Program. What are the EDA's goals for the program? Will any additional personnel need to be hired to carry out these goals? Will the new program duplicate other programs, such as the NJDA or other incentives currently provided by the EDA or by other State agencies?

2. The Business Employment Incentive Program (BEIP), provides grants to businesses that relocate or expand in New Jersey and create new jobs in the process. The eight year old program was altered in FY 2004, pursuant to P.L. 2003, c.166. Among other things, the legislation provides changes in BEIP program amounts, grant caps per employee, job creation requirements for grant eligibility, eligible position requirements, designated industry requirements, and business documentation. The legislation also authorizes the issuance by the EDA of State contract bonds as a source of BEIP grant funding. In December 2003, the issuance of up to \$301 million in bonds was approved by the Joint Budget Oversight Committee for BEIP grants from FY 2004 to FY 2007.

- **Questions:** a. How will the changes to the BEIP program impact the number of jobs that will be created and the value of the grants to be made?
- b. Based on the approval to issue \$301 million in bonds, please provide an estimate of the number of grants and grant amounts by fiscal year that these bonds will fund.
- c. How many BEIP grants were awarded in FY 2004? Please provide a summary of each grant agreement and the amount of each grant funded.

3. Recently, the BEIP program received significant press attention as a result of a report issued by the New Jersey Policy Perspective entitled *Taking Care of Business: Does it Cost Too Much?* The report suggested that the BEIP program gives grants to companies that create jobs in one location while cutting jobs in another location. In response to the NJPP report, a study is currently being conducted by a Rutgers University economist, and chairman of the Council of Economic Advisers, to evaluate the effectiveness of BEIP.

- **Question:** What is the EDA's response to the conclusions of the NJPP report? What is the status of the Rutgers University economists report?

4. The Joint Budget Oversight Committee recently approved an EDA bond resolution totaling \$60 million for Designated Industries Economic Growth and Development projects. The EDA has indicated that \$35 million of these bond funds would be used for the following programs: \$10 million for the Springboard II Program; \$10 million for the Life Science Venture Capital Fund; and \$15 million for Innovation Opportunity Zones. Legislative consent is required for these and other proposed program allocations from these bonds.

- **Question:** Please describe in detail the programs and goals for the Springboard II

Discussion Points (Cont'd)

Program, Life Science Venture Capital Fund and Innovation Opportunity Zones. What stage of development are each of these initiatives in currently? When will legislative concurrence with these program allocations be requested? What are the expected costs of each program for FY 2005? What decisions, if any, have been made concerning program allocations from the remaining \$30 million in bonding authority?

NEW JERSEY COMMERCE AND ECONOMIC GROWTH COMMISSION

5a. Language in the FY 2003 appropriations act, P.L.2002, c.38, provided for the transfer of up to \$46 million from certain accounts in the Urban Enterprise Zone Assistance Fund to the General Fund as State revenue. Pursuant to this language, on July 1, 2002, approximately \$38.8 million was transferred from the eligible zone assistance accounts to the General Fund. The affected zones include: Newark (\$6.1 million), Elizabeth (\$5.1 million), Jersey City (\$4.7 million), Lakewood (\$4.4 million), Pleasantville (\$4.3 million), Vineland (\$2.8 million), North Bergen (\$2.9 million), Passaic (\$2.2), Paterson (\$1.9 million), Perth Amboy (\$1.4 million), Mount Holly \$1.1 million), Kearny (\$0.8 million), and Hillside (\$0.7 million). For these zone municipalities, the amounts transferred represent 100 percent of their share of reduced sales tax collections for 2003.

- **Question:** For each of the affected zones, please describe the impact the transfer of revenue has had on the local zone authority in terms of project planning and implementation.

5b. Subsequent to the FY2003 appropriations act, the Legislature enacted a multi-year repayment plan to reimburse the zones impacted by the FY2003 transfer of revenues to the General Fund. Under the repayment mechanism authorized by P.L.2003, c.6 (C.52:27H-66.6a), reimbursement of each zone is expected to take approximately 24 months; however a zone does not begin to recoup the amount diverted until the first day of its next "five year period" at which time it will be allowed to extend its current period of designation and retain the incremental revenue that otherwise would have reverted to the General Fund. As a result of this mechanism, each zone is on an individualized repayment schedule whereby certain affected zones will not be fully reimbursed for the FY2003 diversion until FY 2010. Based on this statutory scheme, three zones, Elizabeth, Jersey City and Kearny, were scheduled to begin recouping revenues in the current fiscal year; however, to date, no additional revenues have been credited to their assistance fund accounts.

- **Question:** Please explain the delay in the repayment process, and indicate when the first three zones (Elizabeth, Jersey City and Kearny) can expect to receive their anticipated share of incremental revenues. Please provide a current repayment schedule for all of the (13) impacted zones.

6. Of the Commission's \$20.3 million budget, approximately \$17.6 million would be earmarked for specific purposes through language (page D-402), 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 2005 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 2004.

7. The FY 2005 Governor's Budget recommends no less than \$12.76 million for Advertising

Discussion Points (Cont'd)

and Promotion, an increase of \$3.2 million over the adjusted FY 2004 amount of \$9.6 million. This increase is attributed to the Travel and Tourism Cooperative Marketing Campaign Program funding consolidation and revenue from the hotel occupancy tax. 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. The Travel and Tourism Cooperative Marketing Program's mission is to promote New Jersey as a travel destination and to promote tourism as a catalyst to the State's economic growth and development.

- **Question:** Please describe the travel and tourism marketing goals and efforts to promote the State in FY 2005. In addition, please provide the funding amounts for programs and activities allocated within the Advertising and Promotion and the Travel and Tourism Cooperative Marketing Program for FY 2005, and the same information for FY 2004. How will an increase in funding be utilized for Advertising and Promotion?

8. Gasoline prices are considerably higher now than they have been in past years, which may affect New Jersey's auto-dependent tourism industry this summer. Evaluation data in the Governor's budget indicates that in FY 2005 an estimated \$27.1 billion in revenue and \$2.6 billion in tax revenue will be generated by tourism in the State.

- **Question:** What is the expected impact of potentially high gasoline prices this summer? Has any attempt been made to develop tourism campaigns where using mass transit is emphasized?

9. The 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 Africa, Europe 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. Press releases report the Commission has conducted trade missions to Asia as recently as last month.

- **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. How have past trade mission influenced the level of exports? What are the expected missions and level of funding for trade mission offices in FY 2005?

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.

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Individuals wishing information and committee schedules on the FY 2005 budget are encouraged to contact:

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