



ANALYSIS OF THE NEW JERSEY BUDGET

**COMMERCE, ECONOMIC GROWTH
AND TOURISM COMMISSION
AND RELATED ECONOMIC
DEVELOPMENT PROGRAMS**

FISCAL YEAR

2005-2006

**PREPARED BY OFFICE OF LEGISLATIVE SERVICES
NEW JERSEY LEGISLATURE • APRIL 2005**

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

Budget Pages..... C-14; C-21; D-397 to D-403; F-6

Fiscal Summary (\$000)

	Expended FY 2004	Adjusted Appropriation FY 2005	Recommended FY 2006	Percent Change 2005-06
State Budgeted	\$23,311	\$30,271	\$26,589	(12.2)%
Federal Funds	0	0	0	—
<u>Other</u>	<u>\$4,322</u>	<u>\$2,720</u>	<u>\$2,885</u>	<u>6.1%</u>
Grand Total	\$27,633	\$32,991	\$29,474	(10.7)%

Personnel Summary - Positions By Funding Source

	Actual FY 2004	Revised FY 2005	Funded FY 2006	Percent Change 2005-06
State	105	118	119	0.8%
Federal	0	0	0	—
<u>Other</u>	<u>15</u>	<u>16</u>	<u>16</u>	<u>0.0%</u>
Total Positions	120	134	135	0.7%

FY 2004 (as of December) and revised FY 2005 (as of September) personnel data reflect actual payroll counts. FY 2006 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 the State's economic development efforts which include, but are not limited to, business advocacy, international trade, business retention, expansion and attraction, 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

Introduction (Cont'd)

supervision by the State Treasurer. However, the Commission's budget is displayed within that of the Department of Treasury.

Reorganization Plan No.005-2004, issued on October 18, 2004, redesignated the New Jersey Commerce and Economic Growth Commission as the New Jersey Commerce, Economic Growth and Tourism Commission. The redesignation and mission in the reorganization plan charged the Commission with improving the profile of the State's tourism industry and increasing New Jersey's standing as a travel destination.

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 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 New Jersey 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, Economic Growth and Tourism Commission and Related Economic Development Programs (\$000)			
	Expended FY 2004	Adjusted Appropriation FY 2005	Recommended FY 2006
New Jersey Commerce, Economic Growth and Tourism Commission			
State Budgeted	\$15,832	\$20,351	\$18,069
Other	<u>4,322</u>	<u>2,720</u>	<u>2,885</u>
Subtotal	\$20,154	\$23,071	\$20,954
Economic Planning and Development			
State Budgeted	<u>\$565</u>	<u>\$1,102</u>	<u>\$502</u>
Subtotal	\$565	\$1,102	\$502
New Jersey Commission on Science and Technology			
State Budgeted	<u>\$6,914</u>	<u>\$8,818</u>	<u>\$8,018</u>
Subtotal	\$6,914	\$8,818	\$8,018
Grand Total	\$27,633	\$32,991	\$29,474

NEW JERSEY COMMERCE, ECONOMIC GROWTH AND TOURISM COMMISSION

Key Points

NEW JERSEY COMMERCE, ECONOMIC GROWTH AND TOURISM COMMISSION

- The Governor's FY 2006 Budget recommends State funding of \$18.1 million for the New Jersey Commerce, Economic Growth and Tourism Commission, a \$1.76 million, or 8.9 percent decrease in State funding from the prior fiscal year. The decrease includes a \$1.75 million reduction in the Commission's discretionary funding and a reduction of \$10,000 from the Commission's general operating expenses. The Administration has indicated that most of this reduction was an error and that it favors restoring \$1.75 million of the \$1.76 million reduction.
- The proposed budget eliminates funding for Prosperity New Jersey (PNJ) in FY 2006. PNJ was created by Executive Order in 1995 to serve as a public/private partnership to help foster, promote and strengthen economic activity, job creation and the overall business climate in New Jersey. PNJ's FY 2005 appropriation of \$522,000 is thus far unspent and earmarked to be lapsed in full as part of the Governor's budget plan.
- Although the Commission's budget is displayed as a single Grants-In-Aid line of \$18.1 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, \$12.6 million, of which \$30,000 is allocated to each of the regional tourism councils for regional tourism promotion; Business Retention, Expansion and Attraction, \$2.85 million of which \$700,000 is allocated for New Jersey Small Business Development Centers; New Jersey Israel Commission, \$130,000; and the Travel and Tourism Cooperative Marketing Campaign, \$1.85 million.
- The Governor's Budget recommends that interest earned on balances in the Urban Enterprise Zone Assistance Fund, estimated at \$3.67 million, be credited to the General Fund (General Fund Provisions, page F-6).
- The New Jersey Office of the State Auditor conducted an audit of the New Jersey Commerce and Economic Growth Commission for FY 2004. The State audit, released in September 2004, concluded that the Commission did not have an adequate system of controls and that financial documentation and procedures were lacking. As a result of the audit's findings, which led to the filing of criminal charges, Executive Order No.132 was implemented, which among other things, creates the position of Chief Financial Officer, and establishes review procedures for the Commission's contracts and fiscal operations by the Finance and Audit Committees.

ECONOMIC PLANNING AND DEVELOPMENT

- The budget indicates that the \$600,000 for the Hispanic Business Owners Outreach Program is discontinued for FY 2006. The Hispanic Business Owners Outreach Program's \$600,000 State appropriation for FY 2005 is thus far unspent and earmarked to be lapsed in full as part of the Governor's budget plan.
- The Governor's Budget recommends \$502,000 in continuation funding for the New Jersey Motion Picture and Television Development Commission. The Commission promotes the film and television industry in New Jersey by attracting on-location film and television

Key Points (Cont'd)

NEW JERSEY COMMISSION ON SCIENCE AND TECHNOLOGY

- ! The Governor's budget recommends \$8.0 million for the Commission, a \$800,000 decrease from the \$8.8 million FY 2005 appropriation. This decrease includes a reduction of \$600,000 for the Manufacturing Extension Program, which was allocated \$1.6 million in FY 2005. The Commission has indicated that \$1 million will be allocated for the Manufacturing Extension Program out of their Grants-In-Aid funding. The decrease also represents the elimination of a \$200,000 one-time appropriation for bio-conference 2005 sponsorship funding.

Program Description and Overview

The primary duty of the New Jersey Commerce, Economic Growth and Tourism Commission is to coordinate the State's economic development efforts which include, but are not limited to, business advocacy, international trade, business retention, expansion and attraction, 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 New Jersey 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 New Jersey 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. The Commission indicates that it is currently working on a new advertising slogan for the fall 2005 advertising campaign.

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.

Program Description and Overview (Cont'd)

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. 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, Economic Growth and Tourism Commission. 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 **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 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 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 up to 75 percent of the costs they incur to remediate 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, Economic Growth and Tourism Commission. The tax revenues generated by this site must be sufficient to reimburse the developer for the agreed upon percentage 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 for 2004, a total of 860 film and television projects were made in New Jersey. These 860 projects contributed \$83 million to the New Jersey economy. From 1978 to 2004, nearly 11,500 film and television projects have been made within the State, generating \$942.5 million in revenue for New Jersey.

The **New Jersey Council of Economic Advisors**, established pursuant to P.L.1993, c.149, serves as a permanent unpaid advisory council composed of economic experts who report directly and independently to the Legislature, the Executive Branch and the public. It is charged with providing the Governor and the Legislature with a comprehensive annual report on or before January 31 of each year which analyzes the current economic conditions and forecasts future economic conditions. The New Jersey Commerce, Economic Growth and Tourism 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, Economic Growth and Tourism 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.

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 within each zone is deposited in a separate account in the Zone Assistance Fund, and periodically withdrawn "for the purpose of assisting qualifying municipalities in which enterprise zones are designated in undertaking public improvements and in upgrading eligible municipal services." Since 1985, the UEZ Authority has approved 1,668 economic development and community revitalization projects totaling \$538 million in Zone Assistance Funds.

The Urban Enterprise Zone (UEZ) program currently consists of 32 zones in 37 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

Program Description and Overview (Cont'd)

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 now also offer the reduced sales tax rate. In 2003, Gloucester City was authorized for UEZ designation. Most recently, pursuant to P.L.2004, c.75, New Brunswick City was authorized as the 32nd zone.

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 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 (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 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 2004	Adj. Approp. FY 2005	Recom. FY 2006	Percent Change	
				2004-06	2005-06
<u>General Fund</u>					
Direct State Services	\$906	\$1,070	\$1,070	18.1%	0.0%
Grants-In-Aid	22,405	29,201	25,519	13.9%	(12.6)%
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	\$23,311	\$30,271	\$26,589	14.1%	(12.2)%
<u>Property Tax Relief Fund</u>					
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%
<u>Casino Revenue Fund</u>	\$0	\$0	\$0	0.0%	0.0%
<u>Casino Control Fund</u>	\$0	\$0	\$0	0.0%	0.0%
State Total	\$23,311	\$30,271	\$26,589	14.1%	(12.2)%
<u>Federal Funds</u>	\$0	\$0	\$0	0.0%	0.0%
<u>Other Funds</u>	\$4,322	\$2,720	\$2,885	(33.2)%	6.1%
Grand Total	\$27,633	\$32,991	\$29,474	6.7%	(10.7)%

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

	Actual FY 2004	Revised FY 2005	Funded FY 2006	Percent Change	
				2004-06	2005-06
State	105	118	119	13.3%	0.8%
Federal	0	0	0	0.0%	0.0%
All Other	15	16	16	6.7%	0.0%
Total Positions	120	134	135	12.5%	0.7%

FY 2004 (as of December) and revised FY 2005 (as of September) personnel data reflect actual payroll counts. FY 2006 data reflect the number of positions funded.

AFFIRMATIVE ACTION DATA

Total Minority Percent	41.0%	30.0%	30.0%	---	---
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Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 2005</u>	<u>Recomm.</u> <u>FY 2006</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
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ECONOMIC PLANNING AND DEVELOPMENT

GRANTS-IN-AID

**Hispanic Business
Owners Outreach
Program**

\$600	\$0	(\$600)	(100.0)%	D-398
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The recommended FY 2006 budget eliminates funding for the Hispanic Business Owners Outreach Program Initiative. It should be noted that the program's \$600,000 appropriation for FY 2005 is thus far unspent and earmarked to be lapsed in full as part of the Governor's budget plan.

NEW JERSEY COMMERCE, ECONOMIC GROWTH AND TOURISM COMMISSION

GRANTS-IN-AID

**New Jersey Commerce,
Economic Growth and
Tourism Commission**

\$19,829	\$18,069	(\$1,760)	(8.9)%	D-400
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The \$1.76 million decrease includes a \$1.75 million decrease in the Commission's discretionary funding and a reduction of \$10,000 from the Commission's general operating expenses. The Administration has indicated that most of this reduction was an error and that it favors restoring \$1.75 million of the \$1.76 million reduction.

**Prosperity New Jersey,
Incorporated**

\$522	\$0	(\$522)	(100.0)%	D-400
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The Governor's Budget eliminates funding for Prosperity New Jersey (PNJ) in FY 2006. PNJ was created by Executive Order in 1995 to serve as a public/private partnership to help foster, promote and strengthen economic activity, job creation and the overall business climate in New Jersey. In its initial budget year, FY 1996, PNJ received a \$1.5 million appropriation. Although appropriations were provided in subsequent fiscal years, the prior Administration encouraged PNJ to gradually become self-supporting through private sector contributions. PNJ's \$522,000 allocation for FY 2005 is thus far unspent and earmarked to be lapsed in full as part of the Governor's budget plan.

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

<u>Budget Item</u>	<u>Adj. Approp. FY 2005</u>	<u>Recomm. FY 2006</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
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NEW JERSEY COMMISSION ON SCIENCE AND TECHNOLOGY

GRANTS-IN-AID

Science and Technology

Grants	\$8,050	\$7,450	(\$600)	(7.5)%	D-403
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In the FY 2005 budget, the Legislature added \$600,000 to the account for the Manufacturing Extension Program (MEP). The Governor's budget recommendation for FY 2006 does not include this addition. MEP was allocated \$1.6 million in FY 2005. The Commission has indicated that \$1 million will be allocated for the MEP in FY 2006 out of their Grants-In-Aid funding. The Manufacturing Extension Program was established to support the manufacturing sector by delivering technical and business assistance.

Conference Cost Share	\$200	\$0	(\$200)	(100.0)%	D-403
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This \$200,000 decrease represents the elimination of a one-time cost for funding a bio-conference. According to the Commission's 2004 Annual Report, the Commission provided sponsorship funding to make New Jersey a host of the BIO 2005 Annual International Convention, which will be held June 18-22, 2005 in Philadelphia.

Language Provisions

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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 \$700,000 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 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.25 (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.

2006 Budget Recommendations

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Of the sum hereinabove appropriated for the New Jersey Commerce, Economic Growth and Tourism Commission, not less than \$12,760,000 shall be used for Advertising and Promotion, from which **\$30,000** shall be allocated to each of the six regional tourism councils for regional tourism promotion; \$2,853,000 shall be used for Business Retention, Expansion and Attraction of which \$700,000 is for New Jersey Small Business Development Centers; \$130,000 shall be used for the New Jersey Israel Commission; and \$1,850,000 shall be used for the Travel and Tourism Cooperative Marketing Program; 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

According to the Commission, this reduction reflects its intention to phase out the \$50,000 allocation to the six regional tourism councils in order to challenge the councils to enhance their effectiveness through improved marketing and business plans. Instead, the Commission has proposed to match 4 to 1 the dollars that the councils raise through membership and other methods, up to a maximum \$200,000 each.

Language Provisions (Cont'd)

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2006 Budget Recommendations

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Subject to the approval for the Director of the Division of Budget and Accounting, there is appropriated to the New Jersey Commerce and Economic Growth Commission from the General Fund such sums as may be necessary, as certified by the Commissioner of the Director of the Division of Taxation, to fund business relocation grants made under the "Business Relocation Assistance Act," the amount of which shall not exceed the new income tax revenues as defined in section 2 of P.L.1996, c.25 (C.34:1B-113). In addition to the report required pursuant of section 10 of P.L.1996, c.25 (C.34:1B-121), the Chief Executive Officer and Secretary of the Commission shall provide the Joint Budget Oversight Committee, on or before November 1, 2004, with a report of the grants funded in the prior fiscal year 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

This language is no longer necessary, because the "Business Retention and Relocation Act," P.L.2004, c.65, renamed the Business Relocation Assistance Grant Program as the Business Retention and Relocation Assistance Grant (BRRAG) and changed the program from a grant (using General Funds) to a tax credit program.



Language Provisions (Cont'd)

2005 Appropriations Handbook

2006 Budget Recommendations

p. B-177

Of the amount appropriated hereinabove for Science and Technology Grants, an amount not to exceed \$550,000 is allocated for the administrative expenses of the New Jersey Commission on Science and Technology, subject to the approval of the Director of the Division of Budget and Accounting.

No comparable language.

Explanation

This language is no longer necessary because the administrative expenses are detailed in the FY 2006 budget as a Direct State Services line item totaling \$568,000.

2005 Appropriations Handbook

2006 Budget Recommendations

p. B-177

From the amount appropriated hereinabove for Science and Technology Grants, there is allocated \$1,600,000 for the Manufacturing Extension Program.

No comparable language

Explanation

This language reflects the elimination of an additional \$600,000 the Legislature included in the FY 2005 Appropriations Act for the Manufacturing Extension Program (MEP). The program, through budget language, was allocated \$1.6 million in FY 2005. Even though no specific amounts are allocated for the MEP in the FY 2006 budget, the Commission indicates that \$1 million will be appropriated for the MEP out of their Grants-In-Aid funding.

Language Provisions (Cont'd)

2005 Appropriations Handbook

p. B-178

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.

2006 Budget Recommendations

p. D-399

Funds made available for the remediation of the discharges of hazardous substances pursuant to the amendments effective December 4, 2003, to Article VII, 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. **If such sums for the remediation of discharges of hazardous substances are insufficient, there are appropriated such sums as necessary for the Brownfield Site Reimbursement Fund, subject to the approval of the Director of the Division of Budget and Accounting.**

Explanation

As a result of amendments in FY 2004 to Article VIII, section 11, paragraph 6 of the State Constitution, dedicated Corporate Business Tax revenues became available to finance loans or grants for hazardous discharge cleanups of brownfield sites. The FY 2005 language was added to authorize reallocation of CBT revenues appropriated for this purpose to the Department of Environmental Protection (DEP) to the Brownfield Site Reimbursement Fund for developer grants. The recommended language allows that in addition to any reallocation of CBT resources from DEP, other General Fund revenues may be appropriated to the Brownfield Site Reimbursement Fund to meet its obligations, subject to the approval of the Director of the Division of Budget and Accounting.



Discussion Points

ECONOMIC PLANNING AND DEVELOPMENT

1. The Business Employment Incentive Program (BEIP) provides grants to businesses that relocate or expand in New Jersey and create new jobs in the process. P.L.2003, c.166 modified the eligibility criteria for BEIP grants and authorized the issuance of State contract bonds by the EDA as a source of BEIP 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.

In 2003, the New Jersey Policy Perspective issued a report 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. The report further analyzed BEIP's effectiveness and provided recommendations. In response, the State Treasurer asked Rutgers University's Edward Bloustein School of Policy and Planning to evaluate BEIP and to determine if the NJPP's report was valid, and to make further necessary recommendations. The report, entitled *"An Assessment of the New Jersey Business Employment Incentive Programs"* submitted July, 2004, made a number of recommendations concerning operational protocols, public access and accountability, financing and monitoring.

! Question: Please detail the Rutgers University report recommendations which have been adopted for the BEIP program. How will these modifications alter program operations in the future?

NEW JERSEY COMMERCE, ECONOMIC GROWTH AND TOURISM COMMISSION

2. The New Jersey Office of the State Auditor conducted an audit of the New Jersey Commerce and Economic Growth Commission for FY 2004. The State audit, released in September 2004, concluded that the Commission did not have an adequate system of controls and that financial documentation and procedures were lacking. As a result of the audit's findings, Executive Order No.132 was implemented, which among other things, creates the position of Chief Financial Officer, and establishes review procedures for the Commission's contracts and fiscal operations by the Finance and Audit Committees.

! Question: Please explain how the Commission has responded to the State Auditor's findings and recommendations to date. In addition, please describe the Commission's progress thus far in establishing internal controls. What role has the new CFO played in ensuring the Commission's fiscal integrity? Have the Finance and Audit Committees established an active oversight function?

3. Reorganization Plan No.005-2004, issued on October 18, 2004, redesignated the New Jersey Commerce and Economic Growth Commission as the New Jersey Commerce, Economic Growth and Tourism Commission. The redesignation and mission in the reorganization plan charged the Commission with improving the profile of the State's tourism industry and increase New Jersey's standing as a travel destination.

! Question: Please indicate how the newly redesignated Commission has altered its focus to tourism interests. Do the new tourism goals affect staff levels or constitute staff redistribution between other offices to tourism? What are the Commission's goals for tourism for FY 2006?

Discussion Points (Cont'd)

4. The Governor's Budget recommends that, of the \$12.76 million for Advertising and Promotion, \$30,000 be allocated to each of the six regional tourism councils for regional tourism promotion. For FY 2005, regional tourism councils received Grants-In-Aid appropriations of \$50,000 each. The Commission has indicated that it intends to phase out the \$50,000 allocation in order to challenge the councils to enhance their effectiveness through improved marketing and business plans. Instead, the Commission has proposed to match 4 to 1 the dollars that the councils raise through membership and other methods, up to \$200,000 each, using hotel occupancy tax revenues. Press reports have stated that the regional tourism councils have until May 6 to submit their business and marketing plans to the Commission.

! Question: Please provide details of the proposed new funding plan for regional tourism councils. Please outline the accomplishments of the councils to date and indicate the direction in which the Commission expects the councils to proceed in the future to promote tourism in New Jersey. Explain how the proposed increase in matching funds will make the councils more effective.

5. Of the Commission's \$18.1 million recommended budget, approximately \$17.6 million would be earmarked for specific purposes through language (page D-401), leaving a balance of approximately \$500,000 to be allocated at the Commission's discretion. This level of discretionary funding is \$1.75 million less than discretionary funding authorized in FY 2005. However, the Administration has stated that it intends to ask the Legislature to restore the reduction.

! Question: Please list the programs and amounts that the Commission plans to fund in FY 2006 out of its unrestricted funds, i.e., the \$2.2 million not specifically allocated by budget language if the \$1.75 million in discretionary funding were to be restored. In addition, please provide the same information concerning unrestricted funds for FY 2005. Please describe the impact upon the Commission's programs and operations if the \$1.75 million in unrestricted funding is not restored.

6. 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 Asia. According to the Commission, these missions have been highly successful in generating export sales and developing long-term business ties with key officials from the public and private sectors in those destinations.

! Question: Please provide a list of all current trade missions and the level of funding for each. Please list the value of New Jersey exports to each of the countries involved. How have past trade missions influenced the level of exports? What are the expected missions and level of funding for trade mission offices in FY 2006?

7. The "Business Retention and Relocation Act," P.L.2004, c.65, renamed the Business Relocation Assistance Grant Program as the Business Retention and Relocation Assistance Grant (BRRAG). The legislation changes the program from a grant to a tax credit program. The BRRAG program creates a program of corporation business tax credits and insurance premium tax credits to businesses that relocate to or, under certain circumstances, remain in the State. To qualify for this program, a business is required to enter into a project agreement with the Secretary of the Commission to undertake a project to relocate

Discussion Points (Cont'd)

a minimum of 250 retained full-time jobs from one or more locations in the State, and retain those jobs for five years. The legislation caps the tax credits that can be issued at \$20 million per fiscal year. According to a press release dated February 2, 2005, three companies received approval from the New Jersey Commerce Commission Board for grants under the BRRAG program.

! Question: How will the changes to the BRRAG program impact the number of jobs that will be created in New Jersey? How many BRRAG grants were awarded in FY 2005? Please provide a summary of each grant agreement and the amount of each grant funded, as well as the number of jobs these grant recipients are expected to create and retain. What are the program's goals for FY 2006?

8. Prosperity New Jersey (PNJ) was created by Executive Order in 1995 to serve as a public/private partnership to help foster, promote and strengthen economic activity, job creation and the overall business climate in New Jersey. In its initial budget year, FY 1996, PNJ received a \$1.5 million appropriation. Even as appropriations were provided in subsequent fiscal years, the prior Administration was encouraging PNJ to gradually become self-supporting through private sector contributions. PNJ's \$522,000 State appropriation for FY 2005 is thus far unspent and earmarked to be lapsed in full as part of the Governor's budget plan. In addition, the proposed budget eliminates State funding for PNJ in FY 2006.

! Question: Please provide information concerning the impact that the activities and programs provided by PNJ have had on the State to date. With the elimination of State funding for PNJ, does PNJ plan to operate self-sufficiently for the remainder of FY 2005 and in FY 2006 utilizing private sector contributions? If so, what level of funding is projected for PNJ, and what does it expect to be able to accomplish through the end of FY 2006?

NEW JERSEY COMMISSION ON SCIENCE AND TECHNOLOGY

9. The New Jersey Commission on Science and Technology was established pursuant to P.L. 1995, 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 Governor's budget recommends \$8.0 million for the Commission, a \$800,000 decrease from the \$8.8 million FY 2005 appropriation. This decrease includes a reduction of \$600,000 for the Manufacturing Extension Program, which was allocated \$1.6 million in FY 2005. However, the budget (page D-402) estimates that the Commission will assist 250 firms in FY 2006 as a result of the Extension Program, 140 more firms than the program assisted in FY 2004.

! Question: Please detail the Commission's accomplishments in FY 2005 including the number of companies supported and assisted through funding incentives. What are the Commission's goals for FY 2006? In addition, please explain how the Manufacturing Extension Program will assist more businesses with fewer resources.

10. The Commission recently decided to reduce funding for the NJ Small Business Development Centers' Technology Commercialization Center from \$100,000 in 2004 to \$30,000 in 2005, a

Discussion Points (Cont'd)

reduction of \$70,000. The Technology Commercialization Center (Center), assisted entrepreneurs in preparing federal grant proposals and provided guidance, information and referrals for developing and commercializing new technologies and building science and technology based businesses. The Commission redirected the \$70,000 for cash grants to entrepreneurs.

- ! **Question:** Please indicate whether the Commission intends to provide assistance and coaching for entrepreneurs seeking grant assistance. In addition, please detail the rationale behind this shift in funding.

OFFICE OF LEGISLATIVE SERVICES

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Individuals wishing information and committee schedules on the FY 2006 budget are encouraged to contact:

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