



ANALYSIS OF THE NEW JERSEY BUDGET

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

FISCAL YEAR

2006-2007

**PREPARED BY OFFICE OF LEGISLATIVE SERVICES
NEW JERSEY LEGISLATURE • APRIL 2006**

NEW JERSEY STATE LEGISLATURE

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

Wayne R. Bryant (D), 5th District (Parts of Camden and Gloucester), *Chairman*
Sharpe James (D), 29th District (Parts of Essex and Union), *Vice-Chairman*
Martha W. Bark (R), 8th District (Part of Burlington)
Anthony R. Bucco (R), 25th District (Part of Morris)
Barbara Buono (D), 18th District (Part of Middlesex)
Joseph Coniglio (D), 38th District (Part of Bergen)
Joseph V. Doria, Jr. (D), 31st District (Part of Hudson)
William L. Gormley (R), 2nd District (Part of Atlantic)
Walter J. Kavanaugh (R), 16th District (Parts of Morris and Somerset)
Bernard F. Kenny, Jr. (D), 33rd District (Part of Hudson)
Leonard Lance (R), 23rd District (Warren and part of Hunterdon)
Robert E. Littell (R), 24th District (Sussex and parts of Hunterdon and Morris)
Paul A. Sarlo (D), 36th District (Parts of Bergen, Essex and Passaic)
Stephen M. Sweeney (D), 3rd District (Salem and parts of Cumberland and Gloucester)
Shirley K. Turner (D), 15th District (Part of Mercer)

GENERAL ASSEMBLY BUDGET COMMITTEE

Louis D. Greenwald (D), 6th District (Part of Camden), *Chairman*
William D. Payne (D), 29th District (Parts of Essex and Union), *Vice-Chairman*
Francis J. Blee (R), 2nd District (Part of Atlantic)
John J. Burzichelli (D), 3rd District (Parts of Salem, Cumberland and Gloucester)
Joseph Cryan (D), 20th District (Part of Union)
Joseph R. Malone III (R), 30th District (Parts of Burlington, Mercer, Monmouth and Ocean)
Alison Littell McHose (R), 24th District (Sussex and parts of Hunterdon and Morris)
Kevin J. O'Toole (R), 40th District (Parts of Bergen, Essex and Passaic)
Joan M. Quigley (D), 32nd District (Parts of Bergen and Hudson)
Gary S. Schaer (D), 36th District (Parts of Bergen, Essex and Passaic)
Alfred E. Steele (D), 35th District (Parts of Mercer and Middlesex)
Joseph Vas (D), 19th District (Part of Middlesex)

OFFICE OF LEGISLATIVE SERVICES

David J. Rosen, *Legislative Budget and Finance Officer*
Frank W. Haines III, *Assistant Legislative Budget and Finance Officer*

Glenn E. Moore, III, *Director, Central Staff*
Thomas K. Musick, *Section Chief, Commerce, Labor and Industry Section*

This report was prepared by the Commerce, Labor and Industry Section of the Office of Legislative Services under the direction of the Legislative Budget and Finance Officer. The primary author was Sonya S. Davis.

Questions or comments may be directed to the OLS Commerce, Labor and Industry Section (609-984-0445) or the Legislative Budget and Finance Office (609-292-8030).

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

Budget Pages..... C-16; C-23; D-409 to D-415; F-6

Fiscal Summary (\$000)

	Expended FY 2005	Adjusted. Appropriation FY 2006	Recommended FY 2007	Percent Change 2006-07
State Budgeted	25,205	35,497	184,797	420.6%
Federal Funds	0	0	0	—
<u>Other</u>	<u>1,976</u>	<u>2,815</u>	<u>3,135</u>	<u>11.4%</u>
Grand Total	\$27,181	\$38,312	\$187,932	390.5%

Personnel Summary - Positions By Funding Source

	Actual FY 2005	Revised FY 2006	Funded FY 2007	Percent Change 2006-07
State	117	115	116	.9%
Federal	0	0	0	—
<u>Other</u>	<u>17</u>	<u>17</u>	<u>17</u>	<u>—</u>
Total Positions	134	132	133	.8%

FY 2005 (as of December) and revised FY 2006 (as of September) personnel data reflect actual payroll counts. FY 2007 data reflect the number of positions funded.

Key Points

- The Governor's FY 2007 budget recommends level continuation State funding of \$19.75 million for the New Jersey Commerce, Economic Growth and Tourism Commission.
- Although the Commission's budget is displayed as a single Grants-In-Aid line of \$19.75 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 \$15,000 is allocated to each of the six regional tourism councils for tourism promotion; Business Retention, Expansion and Attraction, \$2.85 million, of which \$800,000 is allocated for New Jersey Small

Key Points (Cont'd)

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 \$9.6 million, be credited to the General Fund (General Fund Provisions, page F-6).
- The FY 2007 budget recommends \$152 million in Grants-In-Aid funding for the Business Employment Incentive Program (BEIP), replacing debt financing for the program with funding from current revenues. The BEIP provides grants to businesses that relocate or create new jobs in New Jersey, based upon those jobs' estimated income tax value.
- The proposed budget recommends \$517,000 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 production and serves as a liaison between production companies and federal, State, county and municipal governments and the private sector.
- The Governor's budget recommends \$12.5 million for the New Jersey Commission on Science and Technology, a \$2.7 million decrease from the \$15.2 million FY 2006 appropriation. The entire decrease applies to funding for Science and Technology Grants. According to the Office of Management and Budget, \$1.5 million of this reduction corresponds to funding added during the legislative appropriations process and allocated by the Commission to establish a business incubator at Rowan University. The Commission has stated that it does not expect to offer grants for stem cell research in FY 2007, having awarded over \$5 million in two-year grants for that purpose in FY 2006.

Fiscal and Personnel Summary

AGENCY FUNDING BY SOURCE OF FUNDS (\$000)

	Expended FY 2005	Adj. Approp. FY 2006	Recom. FY 2007	Percent Change	
				2005-07	2006-07
General Fund					
Direct State Services	\$919	\$1,098	\$1,098	19.5%	0.0%
Grants-In-Aid	24,286	34,399	183,699	656.4%	434.0%
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	\$25,205	\$35,497	\$184,797	633.2%	420.6%
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	\$25,205	\$35,497	\$184,797	633.2%	420.6%
Federal Funds	\$0	\$0	\$0	0.0%	0.0%
Other Funds	\$1,976	\$2,815	\$3,135	58.7%	11.4%
Grand Total	\$27,181	\$38,312	\$187,932	591.4%	390.5%

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

	Actual FY 2005	Revised FY 2006	Funded FY 2007	Percent Change	
				2005-07	2006-07
State	117	115	116	(0.9%)	0.9%
Federal	0	0	0	0.0%	0.0%
All Other	17	17	17	0.0%	0.0%
Total Positions	134	132	133	(0.7%)	0.8%

FY 2005 (as of December) and revised FY 2006 (as of September) personnel data reflect actual payroll counts. FY 2007 data reflect the number of positions funded.

AFFIRMATIVE ACTION DATA

Total Minority Percent	31.0%	31.0%	31.0%	—	—
------------------------	-------	-------	-------	---	---

Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 2006</u>	<u>Recomm.</u> <u>FY 2007</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
--------------------	---------------------------------------	----------------------------------	--------------------------------	---------------------------------	------------------------------

ECONOMIC PLANNING AND DEVELOPMENT

GRANTS-IN-AID

**Business Employment
Incentive Program,
EDA**

\$0	\$152,000	\$152,000	—	D-410
------------	------------------	------------------	----------	--------------

The Governor's proposed FY 2007 budget includes a new appropriation of \$152 million for the Business Employment Incentive Program (BEIP). P.L.2003, c.166 modified the eligibility for BEIP grants and authorized the issuance of State contract bonds by the NJEDA as a source of BEIP funding. As a result, 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 State funding of \$152 million will replace debt financing for the program for FY 2007.

NEW JERSEY COMMISSION ON SCIENCE AND TECHNOLOGY

GRANTS-IN-AID

**Science and
Technology**

\$14,050	\$11,350	(\$2,700)	(19.2%)	D-414
-----------------	-----------------	------------------	-----------------	--------------

According to the Office of Management and Budget, \$1.5 million of the \$2.7 million reduction corresponds to funding added during the Legislative appropriations process and allocated by the Commission to establish a business incubator at Rowan University. The Commission has stated that it does not expect to offer grants for stem cell research in FY 2007, having awarded over \$5 million in two-year grants for that purpose in FY 2006.

Language Provisions

2006 Appropriations Handbook

p. B-181

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 \$800,000 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.

2007 Budget Recommendations

p. D-413

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 **\$15,000** 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 \$800,000 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 in funding allocated to the six regional tourism councils reflects its intention to phase out their minimum State support 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 of \$200,000 each.

Language Provisions (Cont'd)

2006 Appropriations Handbook

2007 Budget Recommendations

p. D-415

No comparable language.

An amount not to exceed 5% of the Science and Technology Grants account is available for transfer to Direct State Services for the administrative expenses of this program, as determined by the Director of the Division of Budget and Accounting.

Explanation

This newly recommended language would allow reallocation of up to \$567,500 of Science and Technology grant funding to nearly double recommended appropriations for Commission operating expenses. It is unclear why additional administration funding would be necessary to sustain Commission activities at levels commensurate with available grant funding.

Discussion Points

ECONOMIC PLANNING AND DEVELOPMENT

1. The Economic Growth Transition Policy Group report recommended that a new entity be created, the Edison Innovation Alliance (EIA), under the New Jersey Economic Development Authority (NJEDA). According to the report, the purpose of the EIA would be to manage the Edison Innovation Fund (EIF), oversee the State's innovation economy, and develop a technology resource strategic plan. Further, the report indicated that \$300 million in resources would be necessary for the EIF's creation over 5 years: \$50 million in NJEDA resources, \$100 million in State resources, and \$150 million in private sector resources. The EIF would fund research and development, science and technology, technology commercialization, and business opportunities. The FY 2007 budget does not recommend State resources for the EIF.

- **Question:** Please indicate if the NJEDA plans to establish the EIA. Does the NJEDA expect to hire additional staff for the EIA? Explain how the proposed EIF will enhance the State's technology business growth and how the NJEDA will utilize funding from the EIF. Will the new program duplicate other programs or incentives currently provided by the NJEDA or other State agencies? Please describe in detail the programs and goals for the EIF. What are the expected costs of the EIA for FY 2007?

2. The NJEDA recently introduced the new Technium initiative, encouraging technology companies to locate and expand in the State. According to the NJEDA website, Technium offers long-term support to businesses as they advance through their life cycle of growth. The Economic Growth Transition Policy Group report recommended that the Technium concept should be expanded, utilizing proposed EIF resources.

- **Question:** Please indicate the progress of Technium to date. Approximately how many applications have been received for Technium support? Please list the number of grants awarded and the amount of each grant. How would EIF resources expand the Technium concept? Please detail Technium goals for FY 2007.

3. The Business Employment Incentive Program (BEIP) allows the State to award grants to businesses that relocate or create new jobs in New Jersey. P.L.2003, c.166 modified the eligibility for BEIP grants and authorized the issuance of State contract bonds by the NJEDA as a source of BEIP funding. As a result, 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 Governor's FY 2007 budget recommends \$152 million for BEIP, replacing debt financing for the program with State funding. According to the budget, income tax revenues generated by BEIP are estimated to exceed the \$152 million in BEIP grant funding (page B-44).

- **Question:** Please indicate the amount of revenue that BEIP is expected to generate in FY 2007. Based on the recommended appropriation of \$152 million, please provide an estimate of the number of grants and grant amounts that this appropriation will fund. How many BEIP grants were awarded in FY 2006? Please provide a summary of each grant agreement and the amount of each grant funded. How many full-time jobs were created or relocated to the State as a result of these grants?

Discussion Points (Cont'd)

NEW JERSEY COMMERCE, ECONOMIC GROWTH AND TOURISM COMMISSION

4. Of the Commission's \$19.7 million recommended budget, approximately \$17.6 million would be earmarked for specific purposes through language (page D-413), leaving a balance of approximately \$2.1 million to be allocated at the Commission's discretion.

- **Question:** Please list the programs and amounts that the Commission plans to fund in FY 2007 out of its unrestricted funds. In addition, please provide the same information for FY 2006.

5. The Governor has recently created the Office of Economic Growth (OEG) within the Office of the Governor and has appointed the Chief of the Office. According to the budget, the OEG will work to coordinate State government to expand the State's economy and create jobs (pages B-18 and D-19). The Economic Growth Transition Policy Group report indicates that the Commission will work on a new strategic business plan for New Jersey in conjunction with the OEG.

- **Question:** Has the Commission commenced work with the OEG to develop a new strategic business plan? Please discuss the Commission's relationship with the OEG. How does the Commission envision its role changing with the creation of the OEG?

6. The Economic Growth Transition Policy Group report proposed restructuring the Commission to focus on "general business marketing" and its role as the service center for businesses requiring technical assistance. The report also recommends transferring or consolidating various responsibilities of the Commission elsewhere in State government to such entities as the NJEDA and Department of State. The FY 2007 budget does not display any alterations within the Commission.

- **Question:** Please respond to the report recommendations. How will these modifications alter the Commission's program operations?

7. Gasoline prices are at an all time high, which may effect New Jersey's auto-dependent tourism industry this summer. Evaluation data in the Governor's budget indicates that in FY 2007 an estimated \$33 billion in revenues and \$3.7 billion in tax revenue will be generated by tourism in the State.

- **Question:** What is the expected impact of high gasoline prices this summer? Please discuss the development of tourism campaigns where utilizing mass transit is emphasized.

NEW JERSEY COMMISSION ON SCIENCE AND TECHNOLOGY

8. 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 \$12.5 million for the Commission, a \$2.7 million decrease from the \$15.2 million FY 2006

Discussion Points (Cont'd)

appropriation. This decrease is a result of a \$2.7 million reduction in Science and Technology Grants. However, budget evaluation data (page D-413 to D-414) indicate that Commission financial assistance will increase in FY 2007 from \$12.75 million to \$15.75 million.

- **Question:** Please explain how Commission financial assistance outlays can increase in FY 2007 if funding decreases as recommended. Please detail the Commission's accomplishments in FY 2006, including the number of companies supported and assisted through funding incentives. Please provide specific information detailing the recipients of Commission grant funding for FY 2006 and those who are expected to receive these funds in FY 2007. Also indicate amounts each grant recipient received. What are the Commission's goals for FY 2007?

9. The Commission awarded 17 grants totaling \$5 million in December 2005 for stem cell research. Each award was for approximately \$300,000, covering a two-year period. A total of 71 applications were submitted for this funding. According to press reports, if grants lead to economic successes, the State can collect one percent of the profits. Budget evaluation data on page D-414 project a second \$5 million round of grants for FY 2007, and also indicate that no non-State matching funds are expected for other FY 2006 and FY 2007 grants.

- **Question:** Assuming the budget is enacted or proposed, when does the Commission expect to receive and approve applications for FY 2007 stem cell research grants? Will recipients of FY 2006 grants be eligible to apply? Does the Commission weigh more favorably applicants that offer matching funds? If not, please explain why. Were press reports correct as to the State obtaining an interest in any economic returns from these grants? With limited staff, how will the Commission monitor grantees to assure compliance with grant terms and conditions, to evaluate results, and to ascertain whether economic returns are generated in which the State is entitled to share?

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 2007 budget are encouraged to contact:

**Legislative Budget and Finance Office
State House Annex
Room 140 PO Box 068
Trenton, NJ 08625
(609) 292-8030 • Fax (609) 777-2442**