



ANALYSIS OF THE NEW JERSEY BUDGET

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

FISCAL YEAR

2008-2009

NEW JERSEY STATE LEGISLATURE

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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 Robin C. Ford.

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NEW JERSEY COMMERCE COMMISSION AND RELATED ECONOMIC DEVELOPMENT PROGRAMS

Budget Pages..... C-12; C-20; D-411 to D-415; D-461;
F-6

Fiscal Summary (\$000)

	Expended FY 2007	Adjusted Appropriation FY 2008	Recommended FY 2009	Percent Change 2008-09
State Budgeted	\$139,216	\$181,206	\$202,416	11.7%
Federal Funds	0	0	0	—
<u>Other</u>	<u>1,693</u>	<u>5,994</u>	<u>5,614</u>	<u>(6.3%)</u>
Grand Total	\$140,909	\$187,200	\$208,030	11.1%

Personnel Summary - Positions By Funding Source

	Actual FY 2007	Revised FY 2008	Funded FY 2009	Percent Change 2008-09
State	10	21	21	0.0%
Federal	0	0	0	0.0%
<u>Other</u>	<u>1</u>	<u>6</u>	<u>6</u>	<u>0.0%</u>
Total Positions	11	27	27	0.0%

FY 2007 (as of December) and revised FY 2008 (as of January) personnel data reflect actual payroll counts. FY 2009 data reflect the number of positions funded

Key Points

- The proposed budget would appropriate Grants-In-Aid funding of \$2.9 million to the New Jersey Commerce Commission (page D-412); however, in the Budget in Brief (page A-35) and in numerous public announcements, the Governor has proposed eliminating the Commerce Commission and merging its essential functions into other Executive branch departments or agencies. The proposed elimination continues the reorganization of economic planning and development responsibilities and activities within the Executive branch. In FY2008, the New Jersey Commerce, Economic Growth and Tourism Commission was statutorily reorganized as the NJ Commerce Commission (PL.2007, c.253), as first proposed by Governor Corzine in Reorganization Plan No. 001-2007. The reorganization transferred the Division of Travel and Tourism and the

Key Points (Cont'd)

New Jersey-Israel Commission and their corresponding appropriations, totaling \$12.835 million, from the Commerce Commission to the Department of State.

- The proposed budget reduces by \$2.4 million, or 45.5%, funding appropriated to the Commerce Commission, from \$5.4 million in FY2008 to \$2.9 million in FY2009 (page D-412). According to evaluation data in the proposed budget (page D-412): \$1.181 million will be dedicated to the Business Retention, Expansion and Attraction Program; approximately \$800,000 less than the adjusted appropriation for FY2008; \$394,000 will be dedicated to export promotion, \$261,000 less than the adjusted appropriation for FY2008; and \$1.363 million will be dedicated to other "key industries and initiatives," an amount equal to the current adjusted appropriation for this purpose. Unlike in prior years, all funds available to the commission are "unrestricted" or discretionary, since language that formerly mandated specific funding levels to certain program areas is recommended to be deleted.
- Evaluation data in the proposed budget (page D-412) further indicates no funding for the "Small Business and Women and Minority Businesses" program in FY2009, currently funded at \$1.4 million. According to the commission, the Small Business and Women and Minority Businesses program will be administered by the Division on Women and Minority Business Development, established by Executive Order #34 in September, 2006 in the Office of Economic Growth and subsequently transferred to the Division of Administration in the Department of Treasury in December, 2007 (page D-445).
- The Budget in Brief indicates a budget savings of \$450,000 from the elimination of the Commerce Commission's Division of Business Services (page A-36). In FY2008, the division was appropriated funds from the Commission's "unrestricted" funding. The division was established as a clearinghouse to help support and promote the development of small, women- and minority-owned enterprises.
- According to the Budget in Brief (page A-35), the proposed budget includes a \$1 million reduction to the New Jersey Small Business Development Centers (NJSBDC). In FY2008, the NJSBDC will receive: \$1 million in State funding from the Commerce Commission's mandatory funding; \$2.5 million in federal funding through a Small Business Administration grant that requires a 1 to 1 match of federal to local dollars; \$988,000 in funding from host universities; and \$529,000 in in-kind donations from the universities. The NJSBDC were established in 1977 to offer counseling and training for small business owners to finance, market and manage their companies.
- According to the Commission, the Office of Economic Growth (OEG) received \$700,000 in funding from the Commission's "unrestricted" funding in FY2008. Current budget language appropriating such sums as are necessary from the Commission's budget to the OEG is recommended to be continued in FY2009. The OEG was established in the Governor's office in January, 2006 and was transferred as an office "in but not of" the Department of Treasury by Executive Order #50 in January, 2007. The stated mission of the OEG is to oversee the implementation of the State's "Economic Growth Strategy" and coordinate the State's economic development efforts across all sectors and departments.

Key Points (Cont'd)

- The proposed budget recommends a Grants-in-Aid appropriation of \$179 million for the Business Employment Incentive Program (BEIP) (page D-412), a \$27 million (18%) increase. BEIP, created pursuant to P.L.1996, c.26 (C.34:1B-124 et seq.), provides grants to businesses that relocate or create new jobs in New Jersey, based upon the estimated income tax value of those jobs. The increased appropriation is intended to match the grant funding levels as the recipients provide documentation for increased employee compensation. This appropriation is in addition to the proposed BEIP debt service appropriation in the Interdepartmental Accounts of \$40.5 million (page D-461), bringing the total amount budgeted for BEIP in FY2009 to \$219.5 million.
- The proposed budget eliminates funding for the New Jersey Motion Picture and Television Development Commission which is funded at \$540,000 in the current fiscal year. The commission was established by P.L.1977, c.44 (C.34:1B-22 et seq.) to promote film and television production in the State. The commission facilitates coordination among television and motion picture producers, ancillary services to the film industry, State and local municipalities and private locations.
- The proposed budget recommends a total appropriation of \$20.3 million for the Commission on Science and Technology (CST), a \$2.8 million, or 12.1%, decrease from the FY2008 adjusted appropriation of \$23.1 million. The decrease represents: a reduction of \$100,000 for administrative expenses of the Commission; a \$2.1 million reduction in funding for Science and Technology Grants; and a \$600,000 reduction to the New Jersey Manufacturing Extension Program. Funding for the Business Incubator Network program is recommended to remain at its current level of \$630,000.
- The recommended reduction of \$600,000 to the New Jersey Manufacturing Extension program (NJMEP) reflects the elimination of Grants-in-Aid funding (\$600,000) for the program (page D-415). This reduction, combined with the discontinuation of FY2008 language (page B-188) providing for an additional \$600,000 for the NJMEP from the Science and Technology grants account, eliminates all State funding for the program. In FY2008, the NJMEP is funded through three main sources: State funding (\$1.2 million); federal funding through the U.S. Department of Commerce (\$1.7 million); and fees from services provided (\$3.4 million). The NJMEP provides manufacturers in the State with technical and business assistance in a variety of ways, tailored to each company's individual need.
- The proposed budget includes language (page F-6) providing that interest earned on balances in the Enterprise Zone Assistance Fund, estimated at \$17.9 million in FY2009 (General Fund provisions, page C-12) be credited to the General Fund.

Fiscal and Personnel Summary

AGENCY FUNDING BY SOURCE OF FUNDS (\$000)

	Expended FY 2007	Adj. Approp. FY 2008	Recom. FY 2009	Percent Change	
				2007-09	2008-09
General Fund					
Direct State Services	\$1,203	\$1,088	\$448	(62.8%)	(58.8%)
Grants-In-Aid	138,013	180,118	201,968	46.3%	12.1%
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	\$139,216	\$181,206	\$202,416	45.4%	11.7%
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	\$139,216	\$181,206	\$202,416	44.8%	11.7%
Federal Funds	\$0	\$0	\$0	0.0%	0.0%
Other Funds	\$1,693	\$5,994	\$5,614	231.6%	(6.3%)
Grand Total	\$140,909	\$187,200	\$208,030	47.6%	11.1%

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

	Actual FY 2007	Revised FY 2008	Funded FY 2009	Percent Change	
				2007-09	2008-09
State	10	21	21	110.0%	0.0%
Federal	0	0	0	0.0%	0.0%
All Other	1	6	6	500.0%	0.0%
Total Positions	11	27	27	145.5%	0.0%

FY 2007 (as of December) and revised FY 2008 (as of January) personnel data reflect actual payroll counts. FY 2009 data reflect the number of positions funded.

AFFIRMATIVE ACTION DATA

Total Minority Percent	0.0%	0.0%	0.0%	—	—
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Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 2008</u>	<u>Recomm.</u> <u>FY 2009</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

DIRECT STATE SERVICES

**Special Purpose:
New Jersey Motion
Picture and TV
Development
Commission**

	\$540	\$0	(\$540)	(100.0%)	D - 412
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The proposed budget eliminates the New Jersey Motion Picture and Television Development Commission, which is funded in the current year at \$540,000. The commission was established by P.L.1977, c.44 (C.34:1B-22 et seq.) to promote film and television production in the State. The commission facilitates coordination among television and motion picture producers, ancillary services to the film industry, State and local municipalities and private locations. There are currently five staff affiliated with the commission. It is not known if any of the responsibilities currently performed by the commission will be assumed by any other Executive branch department or agency.

GRANTS-IN-AID

**New Jersey
Commerce
Commission**

	\$5,388	\$2,938	(\$2,450)	(45.5%)	D - 412
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The proposed budget reduces by \$2.45 million funding appropriated to the Commerce Commission, from \$5.4 million in FY2008 to \$2.9 million in FY2009, (page D-412). According to evaluation data in the proposed budget (page D-412): \$1.181 million will be dedicated to the Business Retention, Expansion and Attraction Program, approximately \$800,000 less than the adjusted appropriation for FY2008; \$394,000 will be dedicated to export promotion, \$261,000 less than the adjusted appropriation for FY2008; and \$1.363 million will be dedicated to other "key industries and initiatives," an amount equal to the current adjusted appropriation for this purpose. Because no budget language mandates any specific allocation of this appropriation among program areas the planned uses are subject to revision over the course of the fiscal year.

However, in the Budget in Brief (page A-35) and in numerous public announcements the Governor has proposed eliminating the Commerce Commission and transferring its essential functions to other Executive branch departments and agencies. The commission was originally created in 1984 as the "Department of Commerce and Economic Development" to coordinate State economic development activities among related entities. It is not known how many of the 22 positions currently associated with the commission will be retained following a reorganization.

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

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 2008</u>	<u>Recomm.</u> <u>FY 2009</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
Business Employment Incentive Program	\$152,000	\$179,000	\$27,000	17.8%	D - 412

The proposed budget recommends an appropriation of \$179 million for the Business Employment Incentive Program (BEIP) (page D-412), a \$27 million increase over the FY2008 appropriation of \$152 million. BEIP, created pursuant to P.L.1996, c.26 (C.34:1B-124 et seq.), provides grants to businesses that relocate or create new jobs in New Jersey, based upon the estimated income tax value of those jobs. The increased appropriation is the amount the New Jersey Economic Development Authority anticipates will be necessary to match the grant funding levels as the recipients provide documentation for increased employee compensation. This appropriation is in addition to the proposed BEIP debt service appropriation in the Interdepartmental Accounts of \$40.5 million (page D-461), bringing the total amount budgeted for BEIP in FY2009 to \$219.5 million. In the current fiscal year, \$196.545 million is available for BEIP. This amount includes the \$152 million adjusted appropriation for FY2008 for "pay as you go" grant awards and \$44.545 million available as carry forward from FY2007. As of March 31, 2008, \$167.761 million or 85.4% of those funds have been expended. The EDA believes they are on target to expend the entire \$196.545 million in FY2008.

ALL OTHER FUNDS

Economic Development	\$5,994	\$5,614	\$380	(6.3%)	D - 413
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In FY2009, the budget projects revenue from two funding sources: \$2.685 million from the portion of reduced sales tax collections in the State's Urban Enterprise Zones which language provides (page D-413) may be used for the administration of the UEZ program and \$2.929 million from the Port Authority of New York and New Jersey for contract advertising services overseen by the commission. The reduction of \$380,000 in this account reflects a shift of estimated receipts from registration fees from small, women and minority owned businesses to another State entity, presumably the Division on Small, Women and Minority Business Development, which was transferred to the Department of the Treasury by the Governor in December, 2007.

Commission on Science and Technology

DIRECT STATE SERVICES

Personal Services	\$548	\$448	\$100	(18.2%)	D - 415
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The proposed budget recommends reducing by \$100,000 the recommended appropriation for administration of the Commission on Science and Technology, including a reduction of \$95,000 (or 20%) for salaries and wages and a reduction of \$5,000 (or 14% less) for services other than personal. Evaluation data in the recommended budget indicates five funded positions for the commission in FY2009, which is unchanged from the current year.

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

<u>Budget Item</u>	<u>Adj. Approp. FY 2008</u>	<u>Recomm. FY 2009</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
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GRANTS-IN-AID

Science and Technology Grants	\$21,350	\$19,250	\$2,100	(9.8%)	D - 415
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The proposed budget recommends reducing by \$2.1 million the appropriation for Science and Technology grants within the budget of the Commission on Science and Technology (CST). Evaluation data in the proposed budget indicates that CST grants funding has been allocated as follows in FY2008: \$2.215 million for the Technology Business Incubator Network, which provides a professional business environment, administrative support and networking opportunities for entrepreneurs through centers located throughout the State; \$400,000 for the Small Business Innovative Research Bridge Grant Program, which provides \$50,000 grants to companies awaiting federal monies to help bridge funding gap; \$1.975 million for New Jersey Technology Fellowships, which provides salary funding for recent doctoral graduates of New Jersey universities to work in small New Jersey technology companies; \$4 million for the Edison Innovation Research and Development Fund, which provides funding to New Jersey technology companies which partner with a New Jersey research university, company or institution for proof-of-concept research and development activities required for commercialization of an identified technology; \$2 million to the University Intellectual Property Program, which provides funding to companies interested in transferring technology developed at New Jersey Universities into the marketplace; \$2 million to the Centers of Excellence Program, which provides matching funds of up to \$500,000 to increase the success in securing federal grants for research centers in the State's priority technology areas; and finally, \$10 million to the Stem Cell Research, which provides grants to encourage development of stem cell based therapies.

Manufacturing Extension Program	\$600	\$0	\$600	(100.0%)	D - 415
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The proposed budget recommends the elimination of Grants-in-Aid funding for the New Jersey Manufacturing Extension Program (NJMEP). This reduction, combined with the discontinuation of FY2008 language (page B-188) providing for an additional \$600,000 for the NJMEP from the Science and Technology grants account, eliminates all State funding for the program. In FY2008, the NJMEP is funded through three main sources: State funding (\$1.2 million); federal funding through the U.S. Department of Commerce (\$1.7 million); and fees from services provided (\$3.4 million). The NJMEP provides manufacturers in the State with technical and business assistance in a variety of ways, tailored to each company's individual need.

Language Provisions

2008 Appropriations Handbook

p. B-187

Of the sum hereinabove appropriated for the New Jersey Commerce, Economic Growth and Tourism Commission, \$10,885,000 shall be used for Advertising and Promotion; \$1,000,000 shall be used 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. Of the amount hereinabove appropriated for the New Jersey Commerce, Economic Growth and Tourism Commission, such sums as are necessary shall be made available to the Office of Economic Growth, established pursuant to Executive Order #50 for its purposes, subject to the approval of the Director of the Division of Budget and Accounting and the Director of the Division of Budget and Accounting shall have the authority to create such new account as may be necessary to effectuate such transfer. In the event that any of the duties or responsibilities of the New Jersey Commerce, Economic Growth and Tourism Commission are transferred to any other State agencies, the Director of the Division of Budget and Accounting shall have the duty and is hereby empowered to transfer funds appropriated to the New Jersey Commerce, Economic Growth and Tourism Commission to such other agencies as shall

2009 Budget Recommendations

p. D-413

Of the amount hereinabove appropriated for the New Jersey Commerce Commission, or any entity succeeding to the duties and functions of the New Jersey Commerce Commission, pursuant to separate legislation, such sums as are necessary shall be made available to the Office of Economic Growth, established pursuant to Executive Order #50 and for the Division of Minority and Women Business Development in the Department of the Treasury, subject to the approval of the Director of the Division of Budget and Accounting.

Language Provisions (Cont'd)

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be charged with the responsibility of administering the functions so transferred. The Director of the Division of Budget and Accounting shall have the authority to create such new accounts as may be necessary to effectuate such transfers. Information copies of such transfers shall be transmitted to the Legislative Budget and Finance Officer upon the effective date thereof.

2009 Budget Recommendations

p. D-413

Explanation

The proposed language reflects the Governor's recommended reorganization of economic planning and development responsibilities and activities within the Executive Branch. The language permits funds to be transferred from the Commerce Commission, or any entity succeeding the commission, to the Office of Economic Growth and the Division of Minority and Women Business Development, both entities "in but not of" the Department of the Treasury. Furthermore, the language provides no mandatory allocations of FY2009 grant appropriations to specific Commission program areas, e.g., Small Business Development Centers and Export Promotion.

In FY2008 the New Jersey Commerce, Economic Growth and Tourism Commission was statutorily reorganized as the NJ Commerce Commission (PL.2007, c.253), as first proposed by Governor Corzine in Reorganization Plan No. 001-2007. The reorganization transferred the Division of Travel and Tourism and the New Jersey-Israel Commission and their corresponding appropriations, totaling \$12.835 million, from the Commerce Commission to the Department of State.

The Commission was appropriated \$18.066 million in the FY2008 Appropriations Act. After the reorganization and corresponding shifts in funding, \$5.4 million remained as Grants-in-Aid funding for the Commerce Commission. According to evaluation data for FY2008 in the proposed budget (page D-412), \$5.4 million was appropriated to the following programs: \$1.977 million to the Business Retention, Expansion and Attraction Program; \$655,000 to export promotion, \$1.393 million for Small Businesses and Women and Minority Businesses and \$1.363 million to other "key industries and initiatives."

Language Provisions (Cont'd)

2008 Appropriations Handbook

2009 Budget Recommendations

p. B-188

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

No comparable language

Explanation

The elimination of the existing language provision reduces \$600,000 of State funding provided off-budget to the New Jersey Manufacturing program (NJMEP) in FY2008. The reduction, combined with the discontinuation in FY2009 of Grants-in-Aid funding (\$600,000) for the program (page D-415) would eliminate all State funding for the NJMEP. Currently, the NJMEP is funded through three sources: State funding (\$1.2 million), federal funding through the U.S. Department of Commerce (\$1.7 million); and fees from services provided (\$3.4 million). The NJMEP provides manufacturers in the State with technical and business assistance in a variety of ways, tailored to each company's individual need.

Discussion Points

ECONOMIC PLANNING AND DEVELOPMENT

1. PL.2007, c.253 statutorily reorganized and renamed the New Jersey Commerce, Economic Growth and Tourism Commission as the NJ Commerce Commission, as first proposed by Governor Corzine in Reorganization Plan No. 001-2007.

The reorganization transferred the Division of Travel and Tourism and the New Jersey-Israel Commission from the Commerce Commission to the Department of State. It further eliminated the position of Chief Executive Officer and Secretary and replaced it with a non-Cabinet level position of Executive Director. The duties of the former Chief Executive Officer and Secretary are assigned either to the Board of Directors or the newly established Executive Director.

The current Chair of the Board of Directors is the Chief of the Office of Economic Growth. The Office of Economic Growth (OEG) was established in the Governor's office in January, 2006 and was transferred as an office "in but not of" the Department of Treasury by Executive Order #50 in January, 2007. The stated mission of the OEG is to oversee the implementation of the State's "Economic Growth Strategy" and coordinate the State's economic development efforts across all sectors and departments. The Commerce Commission's stated mission is to coordinate State economic development activities among related entities.

The proposed budget appropriates \$2.9 million to the New Jersey Commerce Commission (page D-412); however, in the Budget in Brief (major changes, p. A-35) and in numerous public announcements the Governor has proposed eliminating the Commerce Commission.

- **Question:** a. Please detail how the OEG and the Commerce Commission have shared the mission of coordinating the State's economic development activities since the establishment of the OEG in January, 2006. Please explain the anticipated future role of the Commerce Commission, if any, in light of the Governor's stated intentions. If there is a planned consolidation with the OEG, please explain in detail how the consolidation will result in budgetary savings. How many positions will be funded after any planned consolidation? How does this differ from the number of staff funded in both the Commerce Commission and the OEG in FY2008? Please explain how the OEG, created in 2006, differs from the Commerce Commission, originally created in 1984 as the Department of Commerce and Economic Development.

b. Assuming the Commerce Commission is eliminated, as proposed in the Budget in Brief, please discuss how it is anticipated that the commission (or the functions associated with the commission) will remain accountable to the Legislature with regard to its mission as stated in its enabling legislation.

2. Language provisions in the proposed budget (page D-413) and the Appropriations Act for FY2008 (page B-187) provide that of "any funds appropriated for the Commerce Commission such sums as are necessary will be made available to the Office of Economic Growth."

- **Question:** Please indicate the amounts appropriated to the Commerce Commission that were transferred to the OEG in FY2007 and which are anticipated

Discussion Points (Cont'd)

to be transferred in FY2008. Please identify any funds that were used by the Commerce Commission in projects with which the OEG was involved in FY2007 and anticipated in FY2008. Please provide an estimate of the amount of funds recommended for the Commerce Commission in the FY2009 budget that will be transferred to the OEG. Please detail all other (non-Commerce Commission) sources of funding for the OEG for FY2007 and estimated for FY2008.

3. The Appropriations Act for FY2008 (page B-187) and the proposed budget for FY2009 (page D-413) provide that such sums as are necessary may be transferred from the Enterprise Zone Assistance Fund to the Commerce Commission and the Office of Economic Growth in accordance with the provisions of section 11 of P.L.1993, c.367 (C.52:27H-65.1).

- **Question:** Please detail the funds transferred under this provision for FY2008 and anticipated to be transferred in FY2009. Be specific with respect to the funds transferred to the OEG versus the Commerce Commission.

4. The proposed budget reduces by \$2.4 million, or 44%, funding appropriated to the New Jersey Commerce Commission within the Department of Treasury from \$5.4 million in FY2008 to \$2.9 million in FY2009 (page D-412). According to evaluation data in the proposed budget (page D-412): \$1.181 million will be dedicated to the Business Retention, Expansion and Attraction Program, \$800,000 less than the appropriation for FY2008; \$394,000 will be dedicated to export promotion, \$261,000 less than the appropriation for FY2008; and \$1.363 million will be dedicated to other key industries and initiatives, in amounts equal to the same appropriations for FY2008.

- **Question:** a. Please detail how the reduction of \$800,000 will affect the Business Retention, Expansion and Attraction Program. What services will not be provided in FY2009? Will there likely be a reduction in staff for this program? What are the goals of the Business Retention, Expansion and Attraction program for FY 2008 and FY2009? Please detail how the \$1.977 million appropriated for FY2008 will be expended.

b. Please detail how the reduction of \$261,000 allocated to export promotion will affect this program. What services will not be provided in FY2009? Will there likely be a reduction of staff for this program? What are the goals of the export promotion program for FY2008 and FY2009? Please detail how the \$655,000 appropriated for FY2008 will be expended.

c. Please define the "key industries and initiatives" that will receive \$1.363 million in FY2009. Please detail how the funds appropriated for this purpose in FY2008 will be expended.

5. The Budget in Brief proposes a \$1 million reduction to the New Jersey Small Business Development Centers (NJSBDC). The NJSBDC received \$1 million in funding through the Commerce Commission's unrestricted funding in FY2008. The NJSBDC were established in 1977 as one of the first national Small Business Development Center pilot projects after the passage of enabling legislation by Congress. At present, the NJSBDC network is composed of the headquarters located at Rutgers Business School: Graduate Programs - Newark and New

Discussion Points (Cont'd)

Brunswick and eleven, full-service, regional centers located throughout the State. The NJSBDC network also includes sixteen affiliate offices located throughout the State.

According to the NJSBDC, their mission is to offer counseling and training for small business owners to finance, market and manage their companies. The NJSBDC also provides opportunities for students to participate in research and get first-hand business experience under the supervision of faculty and business professionals. In 2007, the NJSBDC served nearly 22,000 small business owners through individual counseling and training seminars. In addition, the NJSBDC assisted these clients in receiving \$36.5 million in private and public financing through loans and equity investments.

The NJSBDC are funded by a combination of State and federal funding and in-kind donations. In FY2008, the NJSBDC will receive: \$1 million in State funding; \$2.5 million in federal funding through a Small Business Administration grant that requires a 1 to 1 match of federal to local dollars; \$987,552 in funding from host universities; and, \$528,879 in in-kind donations from the universities. In addition, three local centers receive funding through local agreements for training through the urban enterprise zone program. The local funding is directly tied to the individual centers through these local agreements. If all local funding is held constant from FY2008, the proposed \$1 million decrease in State funding will mean that in FY2009 the NJSBDC may not maximize its federal loan, resulting in a loss of \$831,723 in federal dollars that will not be matched.

- **Question:** Does the State plan to maximize the federal funding the NJSBDC currently receives through an alternate source? In light of the proposed reduction in funding, how does the State plan to provide the training and counseling services that have been historically offered through the NJSBDC to individuals and small businesses? Please estimate the reduction in staff likely to occur as a result of the reduction in funding.

6. The Budget in Brief proposes a \$450,000 reduction to eliminate the Commerce Commission's Division of Business Services (page A-36). The Division of Business Services was established as a clearinghouse to help, support and promote the development of small, women- and minority-owned enterprises. As such, the division has four staff who manage the State's Small Business Enterprise Registration program as well as the Women & Minority-Owned Business Enterprise Certification program. In FY2008, the division was funded from the Commerce Commission's unrestricted funding.

- **Question:** What will be the impact of the Governor's budget proposal on the services that have historically been offered through the Division of Business Services? Does the State have an alternate plan to provide small business enterprise registration and women and minority owned business certification? Please estimate the reduction in staff anticipated as a result of the reduction in funding.

7. The proposed budget eliminates \$540,000 in funding for the New Jersey Motion Picture and Television Development Commission (commission). The commission was established by P.L.1977, c.44 (C.34:1B-22 et seq.) in the then Department of Commerce and Economic Development. After the Department's reorganization in 1998, the commission became "in but not of" the Department of Treasury (N.J.S.A.52:27C-86).

The commission's five staff provide technical and logistical support for the production of television and motion pictures in New Jersey. The staff facilitates coordination among

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television and motion pictures producers, ancillary services to the film industry, State and local municipalities and private locations. According to the commission's Annual Report, since 1978, there have been 13,386 productions completed in New Jersey, steadily increasing from 32 a year in 1978 to 941 a year in 2006. The commission further estimates that this production work generated \$92 million for the New Jersey economy in 2006. The proposed budget includes evaluation data (page D-411) which indicates 995 total film and/or television productions during FY2009 which are expected to generate an estimated total of \$110 million for the New Jersey economy.

In June of 2006, a new tax credit program was implemented that provides a 20% tax credit for film and television production projects produced primarily in New Jersey (P.L. 2005, c. 345 (C.54:10A-5.39 and C.54A:4-12)). The commission is responsible for the initial determination of the applications for these credits. This determination is followed by another review by the Division of Taxation and the New Jersey Economic Development Authority to ensure further eligibility requirements are met. The tax credit program is capped at \$10 million annually pursuant to statute. According to the commission, applications for the program have already met the \$10 million limit for FY2009, FY2010, FY2011 and partially for FY2012.

- **Question:** What will be the impact of the Governor's proposed budget on services that have historically been offered through the New Jersey Motion Picture and Television Development Commission? More specifically, who will provide the technical and logistical support that is currently provided through the commission's staff? Please estimate the reduction in staff anticipated as a result of the reduction in funding. Please explain the estimated increase in productions as outlined in the evaluation data (page D-411).

8. The Fort Monmouth Economic Revitalization Planning Authority (FMERPA) was created pursuant to P.L.2006, c.16 (C.52:27I-1 et seq.), to develop a comprehensive conversion and revitalization plan for Fort Monmouth after its closure by the federal government in the Base Realignment and Closure Process. The budget recommends a \$150,000 Grants-In-Aid appropriation for the FMERPA (page D-412). FMERPA has an extended deadline of September, 2008 for submission of its comprehensive conversion and revitalization plan. Budget language indicates that additional State funds are appropriated as necessary for FMERPA to secure federal matching funds (page D-413). FMERPA is responsible for funding 10 percent of its budget, with the balance to be provided from federal funds.

- **Question:** Please detail the progress that FMERPA has made in developing a conversion and revitalization plan for Fort Monmouth. What is the level of federal funding for FMERPA for federal FY2008 and federal FY2009? What is the level of State funding for FMERPA for FY2008 and estimated for FY2009? Please provide specific funds tied to salaries, programs and grants. What are FMERPA's goals for FY 2009?

9. The New Jersey Development Authority for Small Businesses, Minorities and Women's Enterprises (NJDA) was established pursuant to section 33 of PL.1984, c.218 (C.5:12-181 et seq.) to assist in providing financing and other services to eligible businesses. The NJDA was initially established in the then Department of Commerce and Economic Development. After the Department's reorganization in 1998, the NJDA became an authority "in but not of" the Department of Treasury (C.52:27C-81).

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PL.1984, c.218 also required the Casino Reinvestment Development Authority (CRDA) to set aside \$1.2 million annually from the sale of bonds, beginning in 1984 and continuing through December 31, 2008, for investment in obligations for the NJDA. In the 24 years since enactment, the NJDA could have realized up to \$28.8 million in funding from the CRDA through this mechanism.

According to the New Jersey Economic Development Authority (EDA), due to "legislative technicalities and stringent underwriting requirements mandated by the CRDA authorizing act, the bonding mechanism has not been utilized fully." The total funding due from the CRDA, \$28.8 million, has not been received by the NJDA. As of February, 2008, there were \$16.6 million dollars remaining due the NJDA from the CRDA.

In 1996, the CRDA approved Resolution No. 96-30, to pay quarterly interest earned on the funds reserved for the NJDA, on deposit at the CRDA. The interest payments to the NJDA from 1999 to 2005 totaled \$1.04 million. At the request of the CRDA, the EDA agreed to waive the receipt of interest on funds held by the CRDA for the benefit of the NJDA.

According to the EDA, at present the NJDA is funded by the EDA at approximately \$350,000 a year. These funds are used for financial assistance, entrepreneurial training, and business mentoring activities to support small business development and growth.

- **Question:** Please detail the activities of the NJDA for FY2007, FY2008 and planned for FY2009. Please provide details on the future of the NJDA and its efforts to date to fully realize its funding potential from the CRDA. Please discuss what, if any, legislative changes may be needed to fully utilize the bonding mechanism on behalf of the NJDA.

10. Governor Corzine issued Executive Order #34 in September, 2006 establishing the Division on Small, Women and Minority Business Development in the Office of Economic Growth and subsequently transferred the division to the Department of Treasury in December, 2007. The purpose of the division is "to administer and monitor policies, practices and programs that will further the State's efforts to ensure equal opportunity for minority-and women-owned business enterprises to participate in State purchasing and procurement processes." The New Jersey Development Authority for Small Businesses, Minorities and Women's Enterprises (NJDA) was established pursuant to section 33 of P.L.1984, c.218 (C.5:12-181 et seq.) and was transferred as an authority "in but not of" the Department of Treasury during the reorganization of the Department of Commerce and Economic Development, pursuant to P.L.1998, c.44 (C.52:27C-81 et seq.) to assist in providing financing and other services to small businesses, minorities and women's enterprises.

- **Question:** Please discuss what, if any, collaboration is occurring or is anticipated to occur between the New Jersey Development Authority for Small Businesses, Minorities' and Women's Enterprises and the Division on Small, Women and Minority Business Development.

11. The Business Employment Incentive Program (BEIP), created pursuant to P.L.1996, c.26 (C.34:1B-124 et seq.) allows the State to award grants to businesses that relocate or create new jobs in New Jersey. The New Jersey Economic Development Authority (EDA) awards BEIP

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grants for up to 10 years and the grants can range between 10% and 80% of the total amount of state income taxes withheld by the company during the calendar year in which the new employees are hired. The proposed budget recommends an appropriation of \$179 million for BEIP (page D-412), a \$27 million increase. This increase is intended to match the grant funding levels as the recipients provide documentation for increased employee retention.

Evaluation data for BEIP in the proposed budget (page D-411) estimates that there will be 381 grants distributed in FY2009 at a cost of \$234 million. This is approximately \$55 million more than the proposed FY2009 appropriation for BEIP.

- **Question:** a. Please itemize by current BEIP recipients the expenditures for FY2007, thus far for FY2008 and an estimate of needed appropriation for FY2009, FY2010, FY2011, and FY2012. Please detail the anticipated source of the needed funding.

b. Please provide the level of appropriation anticipated to fund new BEIP recipients in FY2010, FY2011, and FY2012. Please detail the anticipated source of the needed funding.

c. Please detail the source of the approximately \$55 million in excess anticipated funding for BEIP for FY2009.

12. P.L. 2003, c.166 (C.34:1B-139.1 et seq.) authorized the New Jersey Economic Development Authority (EDA) to issue bonds, backed by a State contract, and subject to approval by the Joint Budget Oversight Committee, to fund the payment of BEIP grants. The EDA received \$87.7 million in FY2005 and \$156 million in FY2006 from these bond proceeds. The proposed budget appropriates \$40.5 million from the General Fund (page D-461) for debt service on these bonds for FY2009.

- **Question:** Please provide the level of General Fund appropriation for debt service on the BEIP obligations for FY2007, FY2008, and an estimate for FY2009, FY2010, FY2011 and FY2012.

NEW JERSEY COMMISSION ON SCIENCE AND TECHNOLOGY

13a. The New Jersey Commission on Science and Technology (CST) was established pursuant to P.L.1985, c.102 (C.52:9X-1 et seq.) in the then Department of Commerce and Economic Development. After the Department's reorganization in 1998, the CST became a commission "in but not of" the Department of Treasury (C. 52:27C-85).

The CST was established to encourage the development of scientific and technological programs, stimulate academic-industrial collaboration, and coordinate the activities of technology centers and business activities.

The proposed budget recommends \$20.3 million for the CST: \$448,000 for the commission and \$19.9 million for Grants-in-Aid. This is a \$2.8 million decrease from the level of funding approved in the Appropriations Act for FY2008. The decrease represents a \$100,000 decrease in funds appropriated to the CST, a \$2.1 million decrease in funds appropriated to

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Science and Technology Grants-in-Aid and a \$600,000 decrease in funds appropriated to the New Jersey Manufacturing Program.

Analysis of the proposed budget indicates that the \$100,000 decrease in funds appropriated to the CST is primarily from funds dedicated to salaries and wages.

- **Question:** What will be the impact on services that have been offered through the Commission on Science and Technology because of the proposed \$100,000 reduction in funding? Please estimate the reduction in staff likely to occur as a result of the reduction in funding.

13b. The Budget in Brief references a \$1.5 million decrease to the CST Grant program (page A-35) and the proposed budget recommends a \$2.1 million decrease to CST's Grants-in-Aid appropriation (page D-415) from \$21.98 million in FY2008 to \$19.88 million in FY2009.

However, evaluation data for the CST in the proposed budget (page D-414) does not reconcile with recommended FY2009 funding. Evaluation data projects over \$22.9 million in funding from the CST grants in FY2009, as follows: Technology business incubator network (\$2.92 million); Small Business Innovative Research Bridge Grant Program (\$650,000); New Jersey Technology Fellowships (\$2.4 million); Edison Innovation Research and Development Fund (\$4 million); Industry-University Collaboration (\$1 million); Centers of Excellence Program (\$2 million); and Stem Cell Research (\$10 million). In total, these amounts equal \$22.9 million, or \$3.06 million more than proposed appropriation of \$19.88 million (page D-415).

- **Question:** a. Please explain the discrepancy between the projected funding of the CST Grants-in-Aid in the evaluation data (page D-414) and recommended FY2009 funding.

b. Please detail the department's plans for funding the CST grant program in FY2009 by programmatic spending category as shown on page D-414 of the proposed budget. Please comment on the effect of the proposed reductions in funding the CST grant program, specifically by programmatic spending category as shown on page D-414. Please estimate the reduction in staff anticipated as a result of the reduction in funding.

13c. The Budget in Brief references a decrease of \$1.2 million in funding for the New Jersey Manufacturing Extension Program (NJMEP) (page A-35), while the budget proposes a decrease of \$600,000 in funding for the NJMEP (page D-415).

However, the evaluation data in the proposed budget (page D-414) indicates that the NJMEP received \$1.2 million in funding from the Commission on Science and Technology in FY2008 and will continue to receive \$1.2 million in funding in FY2009. It further states that 190 companies were supported in FY2008 and 250 companies are estimated to be supported in FY2009 through the NJMEP.

According to the NJMEP, it provides manufacturers in the State with technical and business assistance through a variety of ways tailored to each company's individual need. A

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portion of the assistance services is provided as a fee based service. The NJMEP's goal is to assist "manufacturers to become more profitable, productive and globally competitive."

The NJMEP is funded through three main sources in FY2008: State funding (\$1.2 million); federal funding through the Department of Commerce (\$1.7 million); and fees on services provided (\$3.4 million). According to the NJMEP, of the \$3.4 million in fees on services provided, approximately 45%, or \$1.53 million, is received by the NJMEP through manufacturers for providing "Customized Training" to their employees. Customized Training Grants are competitively awarded grants funded through the Department of Labor and Workforce Development to upgrade the skills of workers to make them more marketable and their employers more competitive in the global economy. The grant program is funded through the New Jersey Workforce Development Partnership Fund, located in the Department of Labor and Workforce Development.

- **Question:** Please detail the department's plans for funding the NJMEP in FY2009. Please indicate how the department plans to provide the services to the estimated 250 companies in FY2009 in light of the proposed reductions in funding. Please estimate the reduction in staff likely to occur as a result of the reduction in funding.

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 2009 budget are encouraged to contact:

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