ANALYSIS OF THE NEW JERSEY
FISCAL YEAR 1998 - 1999 BUDGET

DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

PREPARED BY
OFFICE OF LEGISLATIVE SERVICES
NEW JERSEY LEGISLATURE
APRIL 1998
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 Andrew D. Hendry, with additional contributions by Catherine Z. Brennan.

Questions or comments may be directed to the OLS Commerce, Labor, and Industry Section (Tel. 609 984-0445) or the Legislative Budget and Finance Office (Tel. 609 292-8030).
Fiscal Summary ($000)

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<td>$42,018</td>
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<td>11,149</td>
<td>11,306</td>
<td>1.4%</td>
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<td>Grand Total</td>
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<td>$49,292</td>
<td>$53,449</td>
<td>8.4%</td>
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Personnel Summary - Positions By Funding Source

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<tr>
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FY 1997 and revised FY 1998 personnel data reflect actual payroll counts. FY 1999 data reflect the number of positions funded.

Introduction

The Governor's FY 1999 Budget Recommendation proposes the elimination of the Department of Commerce and Economic Development. A number of the department's functions would be moved to other state departments. Core functions related to business attraction, including International Trade; Small, Women and Minority Businesses; Economic Development; Prosperity New Jersey; and the Urban Enterprise Zone program, would be shifted into a proposed "New Jersey Commerce and Economic Growth Commission," located "in, but not of" the Department of the Treasury. Enabling legislation is required to implement this proposal.

As a result of the proposed initiative for the Commerce and Economic Growth Commission, there is no display in the FY 1999 budget for the current Department of Commerce and Economic Development. The department's current components are reflected in their proposed locations: the Department of Treasury (pp. D-296 to D-302, E-65 to E-66), and the Department of State (D-259 to D-262, E-31, G-17 to G-18).

As currently structured, the Department of Commerce and Economic Development is
Key Points

responsible for promoting the expansion and retention of commerce, industry and tourism in order to create jobs and encourage economic prosperity in this State. Through its Divisions of Economic Development, International Trade, Research and Planning, Travel and Tourism and Development for Small Businesses, and Women's and Minority Businesses, the department provides technical and promotional resources to individuals, businesses and institutions in conjunction with other governmental agencies and private entities.

 Associated authorities and commissions currently located "in, but not of" the department include the New Jersey Public Broadcasting Authority (New Jersey Network), the New Jersey Commission on Science and Technology, the New Jersey Redevelopment Authority, the New Jersey Motion Picture and Television Development Commission, and the semi-autonomous New Jersey Economic Development Authority.

Key Points

Documentation from the Governor's office indicates that the New Jersey Commerce and Economic Growth Commission will be a public-private partnership which will focus exclusively on job creation and business development. The proposed commission will be headed by a board of directors, consisting of public and private sector representatives. The Governor will serve as chair of the board and the current Commissioner of Commerce and Economic Development will serve as Chief Executive Officer of the commission. The Chief Executive Officer will also serve as a member of the Governor's Cabinet.

According to press reports and public comments made by the Commissioner, the new commission would not be bound by Civil Service rules governing employee hiring, promotion and retention. However, current departmental employees will be eligible to apply for positions within the new commission.

The following entities currently operating "in, but not of" the department are recommended to be shifted to the Department of the Treasury: the Commission on Science and Technology, the New Jersey Motion Picture and Television Development Commission, and the New Jersey Economic Development Authority.

The Governor's Budget proposes that the Division of Travel and Tourism and the Public Broadcasting Authority (New Jersey Network) be shifted to the Department of State.

The Budget also recommends that the New Jersey Redevelopment Authority, which finances urban revitalization programs, ultimately be shifted to the Department of Community Affairs (DCA). According to the Administration, this realignment will allow better coordination between the authority and other urban development programs within DCA.

Under the Governor's FY 1999 Budget, funding from all sources for programs that will remain within the Commerce and Economic Growth Commission is proposed to remain essentially flat at $10.3 million. Funding is provided for 100 positions in FY 1999. Some 83 positions were filled in FY 1998 (for those functions being transferred to the new commission) at the time the Budget Recommendation document was prepared.

The FY 1999 Direct State Services and Grants-In-Aid appropriation for the Commission on Science and Technology is recommended to increase from $15.1 million in the current year to $19.5 million (29.1 percent). The recommended budget reflects a nearly eight-fold
Key Points

increase, from $631,000 in FY 1998 to $5.0 million in FY 1999, for the commission’s Grants-in-Aid funding for the Technology Transfer program. The Technology Transfer program is a matching grant program that underwrites individual company and university technology transfer and product development projects, assisting in the transfer of newly-developed technology from the university to the marketplace. According to a news release issued by the Office of the Governor, the Administration anticipates that this increase will "create approximately 300 new high-skilled, high-paying jobs, and help foster the creation of some 35 companies."

The proposed budget recommends a $100,000 decrease, from $650,000 to $550,000 (15.4 percent), in Grants-in-Aid funding for Prosperity New Jersey, a public-private partnership designed to retain and expand jobs in the State. This reduction is offset by a $100,000 increase in Direct State Services funding for the Office of Maritime Resources (from $250,000 in FY 1998 to $350,000 in FY 1999), which in prior years has received a $100,000 grant from the Prosperity New Jersey program. The Office of Maritime Resources is charged with expediting the implementation of the State’s strategic plan for the continuous dredging of New Jersey’s ports and the on-going disposal of dredged materials.

The proposed FY 1999 Budget proposes a new, Special Purpose appropriation of $150,000 within the International Trade program for an "Agricultural Exports Initiative" to "ensure that New Jersey’s food products continue to gain prominence in the world marketplace." According to the OMB, this new program will result in the hiring of one additional position focused on the promotion of New Jersey’s agricultural exports.

Special Purpose funding of $600,000 for the Office of Sustainability is recommended to be continued in FY 1999. Established in FY 1998, this office is intended to encourage the growth of environmentally-friendly ("sustainable") businesses. In conjunction with a current appropriation of $1.5 million which was transferred from the Department of Environmental Protection, the recommended appropriation will enable the program to offer technical assistance andrecoverable grants to such businesses.

The recommended Direct State Services appropriation for the Public Broadcasting Authority (New Jersey Network) is $3.7 million, a reduction of $505,000 (12 percent) from the current adjusted appropriation. This decrease continues a reduction in State support for the Public Broadcasting Authority begun in FY 1990.

The Governor’s Budget further proposes an increase of $121,000 (37 percent) in the capital appropriation for the Public Broadcasting Authority, from $325,000 currently to $446,000 in FY 1999. This funding will be utilized for the upgrade of plumbing systems at transmitter sites and of HVAC systems; the replacement of emergency standby generators; the repair of an access road; and electrical and UPS system upgrades.

The FY 1999 debt service appropriation is $5.0 million, a decrease of $140,000 (2.7 percent) from the FY 1998 adjusted appropriation of $5.1 million. These funds are used to pay the redemption and interest costs for bonds issued in 1982 under the "Community Development Bond Act of 1981," P.L. 1981, c.486.

"Off budget" funding for the Division of International Trade - Participants Account is recommended to be reduced from $30,000 in the current year to $10,000 in FY 1999. According to the OMB, this account, which is funded by individuals involved with trade missions, is expecting lower receipts in FY 1999.
Key Points

Recommended funding to provide for the debt service obligations of the South Jersey Port Corporation (SJPC), currently displayed under State Aid within the Department of Commerce and Economic Development is proposed to be shifted to Direct State Services - Interdepartmental Accounts. While the recommended appropriation of $4.7 million is unchanged from the current adjusted appropriation, this change reflects the provisions of P.L. 1997, c. 150 (C.34:1B-144 et seq.), the "Port Unification and Financing Act," which transferred the port facilities of the SJPC, along with its assets, liabilities, and obligations, to the New Jersey Economic Development Authority in conjunction with the unification of the SJPC with the Philadelphia Port Authority.

The Governor's Budget proposes elimination of Special Purpose funding for the Yankee Trader Institute, a $37,000 reduction. The Yankee Trader Institute was formed to coordinate trade development activities of states in the Northeast, as well as the Commonwealth of Puerto Rico and the Province of Quebec.

Proposed General Fund language (page I-26) indicates that of the eleven separate municipal accounts in the Enterprise Zone Assistance Fund from which funds were transferred in FY 1995 for General Fund purposes, six accounts, including those of Camden, Millville, Newark, Plainfield and Trenton, are fully recovered. Language continues to recommend sales tax collections for Bridgeton, Elizabeth, Jersey City, Kearny, Orange, and Vineland.

"Off budget" funding for administration of the Urban Enterprise Zone program is recommended to remain unchanged at $1.9 million in FY 1999.

Background Paper:

Public-Private Partnership Models for the Proposed New Jersey Commerce and Economic Growth Commission, p. 28
Program Description and Overview

Current Mission and Structure of the Department

As presently structured, the Department of Commerce and Economic Development serves as an advocate for the State's business community. Its primary mission is to improve the business climate of the State in order to create jobs and encourage economic prosperity by promoting travel and tourism; retaining and expanding existing businesses and industries; developing new business and industry opportunities; developing export markets and promoting foreign investment; conducting economic planning and research; encouraging the development of small, minority- and women-owned businesses; revitalizing business and industry in distressed, mostly urban, areas; and promoting the State as a location for television and motion picture production.

The department's Budget currently contains three statutory agencies which operate independently, but are displayed, in the current fiscal year, as components of the overall departmental budget. These agencies are the New Jersey Commission on Science and Technology, which formulates long-range plans for science and technology in the State and fosters partnerships between academia and industry; the New Jersey Public Broadcasting Authority, which operates New Jersey Network; and the New Jersey Redevelopment Authority, which assists in the revitalization of the State's urban areas. The New Jersey Economic Development Authority is also currently affiliated with the department, although it is funded from non-State sources.

As detailed below, the Governor's proposed FY 1999 Budget recommends the elimination of the Department of Commerce and Economic Development. Thus, there is no display in the FY 1999 Budget for the current Department of Commerce and Economic Development. The department's current components are reflected in their proposed locations: the Department of Treasury (pp. D-296 to D-302, E-65 to E-66), and the Department of State (D-259 to D-262, E-31, G-17 to G-18).

Summary of the FY 1999 Recommended Budget

Subject to enabling legislation, the Governor's FY 1999 Budget Recommendation proposes the elimination of the Department of Commerce and Economic Development. A number of programs currently located in the department would move to other State departments. Core functions related to business attraction, including International Trade; Small, Women and Minority Businesses; Economic Development; Prosperity New Jersey; and the Urban Enterprise Zone program, would be shifted into a proposed "New Jersey Commerce and Economic Growth Commission," located "in, but not of" the Department of the Treasury.

The Governor proposes that the New Jersey Commerce and Economic Growth Commission would be a public-private partnership which would focus exclusively on job creation and business development. The proposed commission would be headed by a board of directors, consisting of public and private sector representatives. The Governor would serve as chair of the board and the current Commissioner of Commerce and Economic Development would serve as Chief Executive Officer of the commission. The Chief Executive Officer would also serve as a member of the Governor's Cabinet.

According to public comments made by the Commissioner, the new commission would not be bound by Civil Service rules governing employee hiring, promotion and retention. However, current departmental employees would be able to apply for positions within the new commission. In addition, the Commissioner has stated publicly that he has pledged to work with current employees who are not hired by the proposed commission to find jobs in other State agencies.
Program Description and Overview

Under the Governor's proposal, the following entities currently operating "in, but not of" the department are recommended to be shifted to the Department of the Treasury: the Commission on Science and Technology, the New Jersey Motion Picture Development Commission, and the New Jersey Economic Development Authority. The Division of Travel and Tourism and the Public Broadcasting Authority (New Jersey Network) would be shifted to the Department of State. And, the New Jersey Redevelopment Authority, which finances urban revitalization programs, would be shifted to the Department of Community Affairs (DCA), pursuant to Reorganization Plan No. 002-1998.

Current Department Functions Recommended to Remain within the Proposed Commission

For those functions that the Governor's Budget proposes to transfer to the New Jersey Commerce and Economic Growth Commission, funding from all sources is recommended to remain essentially flat, at $10.3 million, in FY 1999. Funding is provided for 100 positions in FY 1999, while some 83 positions were filled in FY 1999.

Funding for Prosperity New Jersey, Inc., which the Budget recommends relocating within the proposed Commerce and Economic Growth Commission, is recommended to decrease in FY 1999 to $550,000 from the current appropriation level of $650,000. The reduction in funding to Prosperity New Jersey is offset by an increase in State funds of $100,000 recommended for the Office of Maritime Resources. Pursuant to Executive Order No. 38 of 1995, Prosperity New Jersey 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. Prosperity New Jersey focuses on issues highlighted by the Economic Master Plan Commission as most critical to the health and prosperity of the State's economy, including business retention, regulatory reform, the formation of industry and regional business networks, the creation of a New Jersey Business Resource Center and the maintenance of the State's maritime resources through the Office of Maritime Resources.

According to the Budget-in-Brief, the decrease in recommended funding for Prosperity New Jersey reflects the fact that it has been successful in raising private sector support for its activities. In fact, State funding for Prosperity New Jersey has decreased since its original appropriation of $1.5 million in FY 1996. While the reduction to Prosperity New Jersey in FY 1999 is predicated on its success in raising private sector funds, Prosperity New Jersey is thus far approximately $2 million below its self-imposed target of $2.585 million for private sector contributions in FY 1998 ($464,333 in private sector funds have been raised as of January 1998).

The Office of Maritime Resources, which is recommended to receive $350,000 in FY 1999, a 40 percent increase over its current adjusted appropriation of $250,000, is charged with expediting the implementation of the State's strategic plan for the continuous dredging of the State's ports and the on-going disposal of dredged materials. The Office also receives approximately $150,000 in funding from the Port Authority of New York and New Jersey for administration, and its operating budget for dredging projects comes primarily from two sources: the Port Authority compact and the "Port of New Jersey Revitalization, Dredging, Environmental Cleanup, Lake Restoration, and Delaware Bay Area Economic Development Bond Act of 1996," P.L. 1996, c. 70. Recently, the Office has been involved with such activities as the development of a processing facility for clean dredged materials, the development of a ship construction facility in Bayonne, the use of dredged materials for reclamation/redevelopment in conjunction with the Hackensack Meadowlands Development Commission, and development of a Request For Proposal for
Program Description and Overview

Decontamination Technologies.

The Governor's Budget proposes a new, Special Purpose appropriation of $150,000 for an "Agricultural Exports Initiative" to "ensure that New Jersey's food products continue to gain prominence in the world marketplace." This initiative is established within the International Trade program, which the Budget recommends transferring to the proposed Commerce and Economic Growth Commission. According to the Office of Management and Budget, the $150,000 appropriation provides for the hiring of one additional staff person to focus on the promotion of New Jersey's agricultural exports.

The recommended Budget continues funding of $1.5 million for the Accounts Management System (AMS), which was established through a FY 1998 Budget initiative. According to the Governor's proposal, the AMS will serve as one of the core functions of the proposed Commerce and Economic Growth Commission. Under the current AMS structure, six account executives are assigned to businesses on a regional basis, and six account executives are assigned to major industry groups, such as telecommunications, petrochemicals, food processing, and business services. These account executives are intended to help handle business' interactions with government and create a "one stop shopping" service for their dealings with the State. The Accounts Management System stems from a study commissioned by Prosperity New Jersey which found that "the lack of a customer-oriented focus to our existing businesses put [sic] New Jersey in the position of being a prime target for other states' economic development marketing efforts." However, this study also recommended an eventual $3.5 million budget for the AMS system and the use of 20 account managers.

Funding of $600,000 for the Office of Sustainability is recommended to be continued in FY 1999. Established in FY 1998, this Office is intended to encourage the growth of environmentally-friendly ("sustainable") businesses. The Office launched a "Green Growth" initiative in 1997 designed to encourage environmentally-friendly businesses to relocate or expand in the State. In conjunction with a current appropriation of $1.5 million which was transferred from the Department of Environmental Protection, the recommended appropriation enables the program to offer technical assistance and recoverable grants to such businesses. A "sustainable" business must use raw materials from sustainable sources (recycled materials or other materials that don't adversely impact the environment); a manufacturing process that minimizes emissions; and must produce products that are environmentally benign or mitigate an environmental problem.

Other Existing Programs

COMMISSION ON SCIENCE AND TECHNOLOGY

The Governor's proposed FY 1999 Budget recommends a 29.1 percent increase in the Grants-In-Aid appropriation for the Commission on Science and Technology. The Budget proposes transferring the Commission, which is currently located in the Department of Commerce and Economic Development, to the Department of the Treasury. The Commission was established to encourage the development of scientific and technological programs, stimulate academic-industrial collaboration, and coordinate activities of technological centers and business facilities. In the current fiscal year, the Commission began a transition from an Advanced Technology Center program to a competitive R&D Excellence Program, which is supported by approximately $6.5 million in the current fiscal year. Seven grants were issued pursuant to this program in FY 1997 and four grants have been issued in the current fiscal year. Grants issued in the current fiscal year will
Program Description and Overview

support the development of: advanced cancer treatments, technologies for determining molecular structure, applications for recent developments in ultrafast laser technology, and research in the area of micro-electro-mechanical systems (MEMS).

The increase in Grants-In-Aid funding for the Commission on Science and Technology reflects an eight-fold increase, from $631,000 in FY 1998 to $5.0 million in FY 1999, in funding for the Technology Transfer program. The Technology Transfer program is a matching grant program that underwrites individual company and university technology transfer and product development projects, assisting in the transfer of newly-developed technology from the university to the marketplace. According to a news release issued by the Office of the Governor, this increase will "create approximately 300 new high-skilled, high-paying jobs, and help foster the creation of some 35 companies."

NEW JERSEY NETWORK

Under the proposed Budget, recommended Direct State Services funding for the Public Broadcasting Authority (PBA) is reduced $505,000 (12 percent) from the current adjusted appropriation of $4.2 million. The Public Broadcasting Authority, which the recommended Budget proposes shifting to the Department of State, is primarily responsible for operating New Jersey Network, the State's only statewide, non-commercial educational television and radio network. In addition to State funding, New Jersey Network (NJN) is supported by private funds from individuals, foundations, and corporations, raised on behalf of NJN by the Foundation for New Jersey Public Broadcasting, Inc., a private, non-profit organization whose purpose it is to support and promote the Network. As a Public Broadcasting System affiliate, NJN also receives an annual federal grant from the Corporation for Public Broadcasting.

Since FY 1990, the level of State funding for the authority has been steadily decreasing due to budgetary constraints and to encourage efforts on the part of the PBA to achieve greater self-sufficiency. As a result, State funding for the authority has decreased 58 percent from a peak of $9.9 million in FY 1989 to $4.2 million in the current fiscal year. However, NJN's non-State resources have increased annually, from $6.0 million in FY 1993 to an estimated $8.3 million in FY 1998, a 38.3 percent increase. The Governor's Budget indicates a total of $8.5 million in funding from these off-budget resources in FY 1999. In addition, the Budget proposes an increase in the capital appropriation for the Public Broadcasting Authority, from $325,000 currently to $446,000 in FY 1999 (a 37 percent increase). This funding will be utilized for the upgrade of plumbing systems at transmitter sites and of HVAC systems; the replacement of emergency standby generators; the repair of an access road; and electrical and UPS system upgrades.

SOUTH JERSEY PORT CORPORATION

The FY 1999 Budget reflects the provisions of P.L. 1997, c. 150 (C.34:1B-144 et seq.), the "Port Unification and Financing Act," which, in the current fiscal year, transferred the port facilities of the South Jersey Port Corporation (SJPC), along with its assets, liabilities, and obligations, from the Department of Commerce and Economic Development to the New Jersey Economic Development Authority (EDA) in conjunction with the unification of the SJPC with the Philadelphia Port Authority. The SJPC was established as the sole agency for the development and management of marine terminals in the South Jersey Port District, which encompasses all water and land contiguous to the Delaware River from Mercer to Cape May counties.

Pursuant to P.L. 1997, c. 150 the EDA has been authorized to issue bonds for port
Program Description and Overview

development purposes, and to refinance the existing debt of the SJPC, and may contract with the State Treasurer, who will pay an amount equal to the debt service on the EDA bonds, subject to future appropriations by the Legislature. Recommended funding to provide for these debt service obligations of the SJPC, currently displayed under State Aid within the Department of Commerce and Economic Development is proposed to be shifted to Direct State Services - Interdepartmental Accounts in the FY 1999 Budget recommendation.
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## Fiscal and Personnel Summary

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

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<td>53</td>
<td>10.4%</td>
<td>3.9%</td>
</tr>
<tr>
<td><strong>Total Positions</strong></td>
<td>252</td>
<td>260</td>
<td>269</td>
<td>6.7%</td>
<td>3.5%</td>
</tr>
</tbody>
</table>

FY 1997 and revised FY 1998 personnel data reflect actual payroll counts. FY 1999 data reflect the number of positions funded.

### AFFIRMATIVE ACTION DATA

Total Minority Percent 30.0% 25.0% 25.0% ---- ----
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<tbody>
<tr>
<td><strong>DIRECT STATE SERVICES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Special Purpose: Export Development - Yankee Trader Institute</td>
<td>$37</td>
<td>$0</td>
<td>($37)</td>
<td>(100.0)%</td>
<td>D-299</td>
</tr>
<tr>
<td></td>
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<tr>
<td>The Governor's Budget does not recommend continued funding for the Yankee Trader Institute. This item was added to the FY 1998 appropriations act by the Legislature. The Yankee Trader Institute was formed to coordinate trade development activities of states in the Northeast, as well as the Commonwealth of Puerto Rico and the Province of Quebec. This funding was utilized to sponsor regional trade conferences, economic summits with other member states of the Institute, and programs and activities associated with the Yankee Trader Institute.</td>
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<tr>
<td>Special Purpose: Agricultural Exports Initiative</td>
<td>$0</td>
<td>$150</td>
<td>$150</td>
<td>—</td>
<td>D-299</td>
</tr>
<tr>
<td>The Governor's proposed FY 1999 Budget includes a new appropriation within the International Trade program for an &quot;Agricultural Exports Initiative&quot; to &quot;ensure that New Jersey's food products continue to gain prominence in the world marketplace.&quot; The Budget-in-Brief notes that food products are the sixth most popular New Jersey export and that international trade continues to be one of the State's fastest growing market sectors. According to the Office of Management and Budget, one additional position will be created to focus on the promotion of New Jersey's agricultural exports.</td>
<td></td>
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<tr>
<td>Special Purpose: Office of Maritime Resources</td>
<td>$250</td>
<td>$350</td>
<td>$100</td>
<td>40.0%</td>
<td>D-299</td>
</tr>
<tr>
<td>The proposed increase is recommended to fund the additional administrative expenditures by the Office of Maritime Resource to be incurred as a result of the &quot;Port of New Jersey Revitalization, Dredging, Environmental Cleanup, Lake Restoration, and Delaware Bay Area Economic Development Bond Act of 1996,&quot; P.L. 1996, c.70. However, this increase will be offset by a corresponding decrease in Grants-in-Aid funding for Prosperity New Jersey which, in prior fiscal years, has allocated funds from its budget to support the administrative expenditures of the Office of Maritime Resources. In FY 1999, total administrative funding from all sources (State and non-State funding) for the Office of Maritime Resources will be approximately $500,000 including the $350,000 shown above plus $150,000 the office has received annually (since FY 1997) from the Port Authority of New York and New Jersey to administer the &quot;Joint Dredging Plan for the Port of New York and New Jersey.&quot; The funds are primarily used to support the salaries and wages of six full-time employees.</td>
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**Significant Changes/New Programs ($000)**

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<tbody>
<tr>
<td>Special Purpose:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>International Trade</td>
<td>$30</td>
<td>$10</td>
<td>($20)</td>
<td>(66.7)%</td>
<td>D-300</td>
</tr>
</tbody>
</table>

"Off budget" funding for the Division of International Trade - Participants Account receives funds from private entities which reimburse the State for costs associated with participating in joint trade missions. The Division indicates that it anticipates less private sector involvement with its trade missions in FY 1999, with a resultant decrease in funds.

**EDUCATIONAL, CULTURAL AND INTELLECTUAL DEVELOPMENT**

**DIRECT STATE SERVICES**

Public Broadcasting Services $4,227 $3,722 ($505) (11.9)% D-261

The recommended Direct State Services appropriation for the Public Broadcasting Authority is reduced $505,000 (12 percent) from the current adjusted appropriation of $4.2 million. The Public Broadcasting Authority is primarily responsible for operating the non-commercial radio and television New Jersey Network (NJN). State support has been decreasing due to budgetary constraints and to encourage efforts on the part of the PBA to achieve greater self-sufficiency. As a result, State funding for the authority has decreased 58 percent from a peak of $9.9 million in FY 1989 to $4.2 million in the current fiscal year. However, NJN's non-State resources have increased. The Governor's Budget indicates a total of $8.5 million in funding from these off-budget resources in FY 1999, up from $8.3 million estimated for FY 1998.

**EDUCATIONAL, CULTURAL AND INTELLECTUAL DEVELOPMENT**

**GRANTS-IN-AID**

Trenton Convention Center $50 $0 ($50) (100.0)% E-32

The Governor's Budget recommends elimination of this grant to the Trenton Convention Center to promote the historical heritage of the State Capital and Capital district and to encourage greater public awareness of Trenton's cultural attractions. The funding was added to the FY 1998 appropriations act by the Legislature.
### Significant Changes/New Programs ($000)

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<tbody>
<tr>
<td><strong>ECONOMIC PLANNING AND DEVELOPMENT</strong></td>
<td></td>
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<tr>
<td><strong>GRANTS-IN-AID</strong></td>
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</tr>
<tr>
<td>Prosperity New Jersey, Inc.</td>
<td>$650</td>
<td>$550</td>
<td>($100)</td>
<td>(15.4)%</td>
<td>E-65</td>
</tr>
<tr>
<td>Established pursuant to Executive Order No. 38 of 1995, Prosperity New Jersey was conceived by the Economic Master Plan Commission as a vehicle for promoting business retention and expansion in this State through a public-private partnership. According to the Budget in Brief, the recommended $100,000 reduction in funding for this program in FY 1999 reflects the Governor's stated intention that Prosperity New Jersey gradually become self-supporting through private sector financial aid and in-kind contributions. However, this reduction is offset by a $100,000 increase in Direct State Services funding for the Office of Maritime Resources, which in prior years has received a grant from the Prosperity New Jersey program.</td>
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<tr>
<td><strong>GRANTS-IN-AID</strong></td>
<td></td>
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<tr>
<td>Technology Transfer Program</td>
<td>$631</td>
<td>$5,031</td>
<td>$4,400</td>
<td>697.3%</td>
<td>E-65</td>
</tr>
<tr>
<td>The recommended Budget includes an eight-fold increase from $631,000 in FY 1998 to $5.0 million in FY 1999, for the Technology Transfer program within the Commission on Science and Technology. The Technology Transfer program is a matching grant program that underwrites individual company and university technology transfer and product development projects, assisting in the transfer of newly-developed technology from the university to the marketplace. According to a news release issued by the Office of the Governor, the Administration anticipates that this increase will &quot;create approximately 300 new high-skilled, high-paying jobs, and help to foster the creation of some 35 companies.&quot;</td>
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<tr>
<td><strong>EDUCATIONAL, CULTURAL AND INTELLECTUAL DEVELOPMENT</strong></td>
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<tr>
<td><strong>CAPITAL CONSTRUCTION</strong></td>
<td></td>
<td></td>
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<tr>
<td>Electrical and UPS System Upgrades</td>
<td>$0</td>
<td>$81</td>
<td>$81</td>
<td>—</td>
<td>G-17</td>
</tr>
<tr>
<td>Facility Preservation Projects</td>
<td>$325</td>
<td>$0</td>
<td>($325)</td>
<td>(100.0)%</td>
<td>G-17</td>
</tr>
<tr>
<td>Repair Access Road to Channel 52 Transmitter</td>
<td>$0</td>
<td>$60</td>
<td>$60</td>
<td>—</td>
<td>G-17</td>
</tr>
</tbody>
</table>
## Significant Changes/New Programs ($000)

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<tbody>
<tr>
<td>Replace Emergency Standby Generators</td>
<td>$0</td>
<td>$200</td>
<td>$200</td>
<td>—</td>
<td>G-17</td>
</tr>
<tr>
<td>Upgrade HVAC Systems</td>
<td>$0</td>
<td>$55</td>
<td>$55</td>
<td>—</td>
<td>G-18</td>
</tr>
<tr>
<td>Upgrade Plumbing Systems at Transmitter Sites</td>
<td>$0</td>
<td>$50</td>
<td>$50</td>
<td>—</td>
<td>G-18</td>
</tr>
<tr>
<td>Net Total Capital Appropriation</td>
<td>$325</td>
<td>$446</td>
<td>$121</td>
<td>37.2%</td>
<td>G-18</td>
</tr>
</tbody>
</table>

The Public Broadcasting Authority (New Jersey Network) is recommended to receive $446,000 in capital funding for five projects related to the replacement or repair of aged equipment and facilities in which millions of State and federal dollars have been invested since the 1970’s, including electrical and UPS system upgrades, repair of an access road, replacement of standby generators, upgrading of an HVAC system, and plumbing upgrades. The Budget also recommends the elimination of a one-time adjusted capital appropriation of $325,000 provided in the current fiscal year for Facility Preservation Projects, which included the replacement of roofs on two transmitter buildings and emergency repair of seven antenna towers.
Language Provisions

1998 Appropriations Handbook
p. B-21

The amounts hereinabove for the Travel and Tourism Advertising and Promotion account shall be allocated between the International Trade, Economic Development and Travel and Tourism programs at the discretion of the Commissioner of Commerce and Economic Development.

1999 Budget Recommendations
p. D-300 (Department of Treasury), p. D-262 (Department of State)

Such sums as are necessary for advertising and promotion shall be allocated from the Department of State's Travel and Tourism Advertising and Promotion account to the New Jersey Commerce and Economic Growth Commission for the International Trade and Economic Development programs, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

The Governor's FY 1999 Budget proposal recommends transferring the department's Travel and Tourism program from the Department of Commerce and Economic Development to the Department of State. However, certain funds within Travel and Tourism's budget currently support programs which the Budget recommends transferring to the proposed New Jersey Commerce and Economic Growth Commission. The recommended language would allow the continuation of funding from the Travel and Tourism Advertising and Promotion account to support efforts conducted by the International Trade and Economic Development programs. The Office of Management and Budget indicates that approximately $315,000 has been utilized from Travel and Tourism for this purpose in prior fiscal years.

1998 Appropriations Handbook
p. B-21

Subject to the approval of the Director of the Division of Budget and Accounting, of the sums hereinabove appropriated, or otherwise made available, for the Office of Sustainability, the Commissioner of the Department of Commerce and Economic Development is authorized to contract with the New Jersey Economic Development Authority which shall finance loans to sustainable businesses.

1999 Budget Recommendations
p. D-300 (Department of Treasury)

Same language except "Commissioner of the Department of Commerce and Economic Development" is changed to "President of the New Jersey Commerce and Economic Growth Commission."

Explanation

The recommended Budget modifies existing language, which authorizes the Office of Sustainability to contract with the New Jersey Economic Development Authority to provide certain small business loans, to reflect the Governor's proposed elimination of the Department of Commerce and Economic Development. Under the proposal, the department would be replaced
Language Provisions

with the New Jersey Commerce and Economic Growth Commission, a private-public partnership. According to the Office of Management and Budget, although the recommended language refers to a position entitled President of the commission, this language will be amended, as needed, to reflect the structure of the commission ultimately approved in enabling legislation. Currently, it is the Administration's intention that the commission be headed by a board of directors (of which the Governor would serve as chair) and would have a Chief Executive Officer.

1998 Appropriations Handbook
p. B-21

There is appropriated from the Enterprise Zone Assistance Fund such sums as are necessary for administrative services provided to the New Jersey Urban Enterprise Zone Authority by the Department of Commerce and Economic Development in accordance with the provisions of section 11 of P.L.1993 c.367(C.52:27H-65.1), subject to the approval of the Director of the Division of Budget and Accounting.

1999 Budget Recommendations
p. D-300 (Department of Treasury)

There is appropriated from the Enterprise Zone Assistance Fund such sums as are necessary for administrative services provided by the New Jersey Commerce and Economic Growth Commission in accordance with the provisions of section 11 of P.L. 1993, c.367 (C.52:27H-65.1), subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

The recommended Budget modifies existing language to reflect the Governor's proposal to replace the existing Department of Commerce and Economic Development with a public-private partnership to be known as the New Jersey Commerce and Economic Growth Commission. The recommended language would allow the appropriation of funds from the Enterprise Zone Assistance Fund to the proposed new commission to provide for administrative expenditures related to the operation of the Urban Enterprise Zone program. The Governor's Budget recommends maintaining the Urban Enterprise Zone Authority within the proposed commission in FY 1999.
Language Provisions

1998 Appropriations Handbook

Subject to the approval of the Director of the Division of Budget and Accounting, there is appropriated to the New Jersey Economic Development Authority from the General Fund such sums as may be necessary to fund the Business Employment Incentive program, the amount of which shall not exceed the total amount of revenues received as withholdings, as defined in section 2 of P.L. 1996, c.26 (C.34:1B-125), from all businesses receiving grants pursuant to the "Business Employment Incentive Program Act," P.L. 1996, c.26 (34:1B-124 et seq.), as certified by the Director of the Division of Taxation. The commissioner shall provide the Joint Budget Oversight Committee, on or before November 1, 1997, 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.

1999 Budget Recommendations

Same language except that "commissioner" is changed to the "Authority."

Explanation

The Business Employment Incentive Program Act, P.L. 1996, c.26 (C.34:1B-124 et seq.), administered by the New Jersey Economic Development Authority (NJEDA), was created to foster job creation in this State. The act authorizes the NJEDA to provide grants, which are equal to between 10 percent and 80 percent of the withholdings of the grantee, to businesses which undertake projects resulting in a net increase in employment. The FY 1999 Budget language changes reporting responsibilities required pursuant to P.L. 1996, c.26, so that the authority, rather than the commissioner, is responsible for providing a yearly report to the Joint Budget Oversight Committee regarding grants issued under this law. This change is consistent with the Governor's proposal to eliminate the Department of Commerce and Economic Development in FY 1999.

The Joint Budget Oversight Committee has not yet received the report due on November 1, 1997 pursuant to the current budget language; however, preliminary data indicates that, to date, approximately $90 million in grant monies (to be paid over a maximum term of ten years) have been authorized for the creation of some 10,000 jobs by approximately 100 companies.
Language Provisions

1998 Appropriations Handbook

p. B-21

Subject to the approval of the Director of the Division of Budget and Accounting, there is appropriated to the Department of Commerce and Economic Development from the General Fund such sums as may be necessary, as certified by the Commissioner and the Director of the Division of Taxation, to fund business relocation grants made under the "Business Relocation Assistance Grant 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 to section 10 of P.L. 1996, c.25 (C.34:1B-1.1), the commissioner shall provide the Joint Budget Oversight Committee, on or before November 1, 1997, 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.

1999 Budget Recommendations

p. D-300 (Department of Treasury)

Same language except the "Department of Commerce and Economic Development" is changed to the "New Jersey Commerce and Economic Growth Commission" and "commissioner" is changed to "President."

Explanation

The Business Relocation Assistance Grant Act, P.L. 1996, c.25 (C.34:1B-112 et seq.), established in the Department of Commerce and Economic Development and administered by the New Jersey Economic Development Authority, was established to encourage economic development and job creation. It provides grants in an amount up to and including 50 percent of the total allowable relocation costs for businesses relocating a minimum of 25 new full-time jobs in this State, but not exceeding 80 percent of the projected new income tax revenues generated by these new jobs.

The FY 1999 Budget language changes reporting responsibilities required pursuant to P.L. 1996, c.25, so that the President of the proposed New Jersey Commerce and Economic Growth Commission, rather than the commissioner, is responsible for providing a yearly report to the Joint Budget Oversight Committee regarding grants issued under this law. This change is consistent with the Governor’s proposal to eliminate the Department of Commerce and Economic Development in FY 1999. Although the recommended language refers to a position entitled President of the commission, this language will be amended, as needed, to reflect the structure of the commission ultimately approved in enabling legislation. Currently, it is the Administration’s intention that the commission be headed by a board of directors (of which the Governor would serve as chair) and would have a Chief Executive Officer.
Language Provisions

1998 Appropriations Handbook

No corresponding language.

1999 Budget Recommendations

p. D-300 (Department of Treasury)

Notwithstanding the provisions of the Casino Control Act (N.J.S.A. 5:12-181) and the Local Development Financing Fund Act (N.J.S.A. 34:1B-48) which govern the use of funds set aside for the New Jersey Development Authority for Small Businesses, Minorities' and Women's Enterprises, the amount hereinabove for the Small Business Outreach/Technical Assistance account is appropriated from the New Jersey Development Authority for Small Businesses, Minorities' and Women's Enterprises.

Explanation

In FY 1999, the Budget anticipates a new revenue item of $500,000 from the New Jersey Development Authority for Small Businesses, Minorities' and Women's Enterprises (Budget page C-12). The Budget proposal indicates that this revenue item will serve as the funding source for the recommended $500,000 appropriation for the Small Business Outreach/Technical Assistance account. Through this appropriation, the department provides assistance to centers which offer a range of services, through the provision of counseling, workshops, seminars, and information transfer, to the State's small business owners and to individuals considering starting their own business. In the current and prior fiscal years, the appropriation for this account was charged against general State revenues.
Language Provisions

1998 Appropriations Handbook

D-1

There are appropriated such additional sums as may be certified to the Governor by the South Jersey Port Corporation as necessary to meet the requirements of the "South Jersey Port Corporation Reserve Fund" under section 14 of P.L. 1968, c.60 (C.12:11A-14), the expenditure of which shall be subject to the approval of the Director of the Division of Budget and Accounting.

1999 Budget Recommendations

D-335 (Interdepartmental)

There are appropriated from amounts hereinabove for the Economic Development Authority such sums as may be necessary to meet the requirements of the "South Jersey Port Corporation Reserve Fund" under section 14 of P.L. 1968, c.60 (C.12:11A-14), the expenditure of which shall be subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

Recommended funding to provide for the debt service obligations of the South Jersey Port Corporation (SJPC), currently displayed under State Aid within the Department of Commerce and Economic Development is proposed to be shifted to Direct State Services - Interdepartmental Accounts. While the recommended appropriation of $4.7 million is unchanged from the current adjusted appropriation, the FY 1999 proposed language reflects the provisions of P.L. 1997, c. 150 (C.34:1B-144 et seq.), the "Port Unification and Financing Act," which transferred the port facilities of the SJPC, along with its assets, liabilities, and obligations, to the New Jersey Economic Development Authority in conjunction with the unification of the SJPC with the Philadelphia Port Authority.
Language Provisions

1998 Appropriations Handbook
p. I-1

No funds shall be expended by any State Department in the Executive Branch in connection with a contract for the production of films, videotapes, video conferences, video-assisted training or multi-media projects that include video images unless the New Jersey Public Broadcasting Authority is invited to submit a bid or price quote as part of any formal or informal contract award process.

1999 Budget Recommendations
p. I-23 (General Provisions)

No funds shall be expended by any State Department in the Executive Branch in connection with a contract for the production of films, videotapes, video conferences, video-assisted training or multi-media projects that include video images unless the New Jersey Public Broadcasting Authority (PBA) has the opportunity to match any successful bid as part of any formal or informal contract award process. This is not a requirement to award a contract to PBA since the decision to award a contract may also be based on non-cost considerations.

Explanation

The Public Broadcasting Authority (PBA) is primarily responsible for operating the non-commercial radio and television New Jersey Network. Under current Budget language, all State departments are required to invite the PBA to submit a bid or price quote as part of any formal or informal contract award process for various video or multi-media projects. Under the proposed FY 1999 language, the PBA's role in the bidding process would be strengthened somewhat, allowing it the opportunity to "match any successful bid," rather than simply being allowed to submit a bid or price quote as a part of any formal or informal contract award process.
Discussion Points

1a. The Governor's Budget proposal recommends the elimination of the Department of Commerce and Economic Development. The Budget proposes shifting a number of the department's current functions to other State departments. Core functions related to business attraction, including International Trade; Small, Women and Minority Businesses; Economic Development; Prosperity New Jersey; and the Urban Enterprise Zone program, would be shifted into a proposed "New Jersey Commerce and Economic Growth Commission," located "in, but not of" the Department of Treasury. Enabling legislation is required to implement this proposal.

Documentation from the Governor's office indicates that the New Jersey Commerce and Economic Growth Commission will be a public-private partnership which will focus exclusively on job creation and business development. The proposed commission will be headed by a board of directors, consisting of public and private sector representatives. The Governor will serve as chair of the board and the current Commissioner of Commerce and Economic Development will serve as Chief Executive Officer of the commission. The Chief Executive Officer will also serve as a member of the Governor's Cabinet.

The Budget in Brief indicates that the proposed commission will be "better positioned to take advantage of emerging economic growth opportunities than its predecessor...Through its market-driven, results-oriented approach, the Commission will quickly respond to new opportunities by reallocating resources and finding the best people for the task."

Questions: Please explain the specific reasons why the goals of the new commission cannot be accomplished within the existing cabinet-level department.

What barriers currently prevent the department from being able to take advantage of "emerging economic growth opportunities"? How will the proposed commission overcome these barriers and become more "market-driven" and "results-oriented" than the department?

Please discuss any proposal currently under consideration that might affect the status of the Civil Service employees currently employed by the department. Does the department anticipate any changes in average salary level for employees under the proposed commission compared to the average salary level of current employees?

Will the proposed commission's budget depend solely on State appropriations, or on a combination of public and private dollars? If the latter, please indicate how the private sector might become involved.

In the evolution of the proposed commission, is it anticipated that the commission will seek independent authority status in the future?

Please provide an organizational chart for the proposed commission.

1b. A number of other states have utilized public-private partnership models similar to the proposed commission to promote business attraction and retention. Enterprise Florida, the Michigan Jobs Commission, and Tennessee Tomorrow are some of the examples which have been cited either by the Commissioner in his testimony before the Assembly Task Force on Business Retention, or in recent press reports, as models under study by the department.
Discussion Points

Questions: Which state models, in whole or in part, were utilized in developing the proposed commission?

Will performance standards be established for the new commission, such as those utilized by Enterprise Florida? If so, what specific standards are being considered?

2a. Pursuant to Executive Order No. 38 of 1995, Prosperity New Jersey was established as a public-private partnership designed to retain and expand jobs in the State. In its initial budget year, FY 1996, Prosperity New Jersey was appropriated $1.5 million. Although future appropriations were anticipated, the Administration had clearly stated that Prosperity New Jersey was intended to become gradually self-supporting through private sector contributions.

Since that time, although annual State funding has declined, to a large extent Prosperity New Jersey has compensated for the decrease in its annual Direct State Services appropriation through the use of carryforward funds. Moreover, although Prosperity New Jersey has established private sector fundraising targets, it has not fully succeeded in reaching these targets. For example, a year ago, during the FY 1998 budget season, Prosperity New Jersey indicated a target for private sector contributions of $2.5 million. However, to date, Prosperity New Jersey has indicated that it has been able to raise less than $500,000 in the current year.

According to the Budget Recommendation, Prosperity New Jersey is one of the existing core functions of the department to be shifted to the proposed New Jersey Commerce and Economic Growth Commission.

Questions: Is it still the Administration’s intention that Prosperity New Jersey become self-sufficient? Please provide the amount of private sector support, both cash and in-kind, by fiscal year, that Prosperity New Jersey has raised since inception. What is the department’s estimate of the amount of private sector support, both cash and in-kind, that Prosperity New Jersey will receive in FY 1999?

Will the role of Prosperity New Jersey change under the proposed commission? If so, in what ways?

2b. One of Prosperity New Jersey's goals has been the development of a Business Resource Center (BRC), which will provide "one-stop access to detailed site availability, incentive, tax and labor information." The Commissioner of Commerce and Economic Development has indicated that the BRC is in the process of developing an "Internet database."

What is the status of the New Jersey Business Resource Center?

3. The Accounts Management System (AMS) was established within the department through an $884,000 initiative in the current budget. The AMS stems from a study commissioned by Prosperity New Jersey which found that the "lack of a customer-oriented focus to our existing businesses put [sic] New Jersey in the position of being a prime target for other states' economic development marketing efforts." Thus, for the purpose of engendering a more business-friendly climate, Prosperity New Jersey recommended the adoption of an Accounts Management System to provide businesses with a "one-stop-shopping" service in their dealings with the State. Under AMS, account managers are assigned to each of the major industry groups (such as pharmaceuticals, telecommunications, and business services) to handle their interactions with government. The
**Discussion Points**

Governor's Budget proposes placing the AMS within the Commerce and Economic Growth Commission.

**Questions:** Please provide data on the number of businesses served and the type of services provided through the Accounts Management System in FY 1998. What measures has the department utilized or developed to determine the success of the AMS? How will the role of the account manager in the AMS change under the proposed commission? What specific additional flexibilities will the account management program have to assist businesses under the proposed commission?

Please provide a breakdown of the current AMS budget, including the salaries of each position (include both filled and funded positions). The Commissioner has cited an inability to offer adequate compensation to prospective account managers as one reason to forego the current Civil Service structure of the department; thus, please indicate how the average salary level of the account manager position would change under the new commission. What would be the highest salary offered for such a position?

3b. An August 1996 report prepared for the department by PHH Fantus Consulting made recommendations as to how the department should develop the Accounts Management System (AMS). This report anticipated that the budget necessary to establish AMS would be "$1.5 million for the first phase during year one, rising to about $3.5 million annually to operate this full effort."

**Questions:** Will the AMS program be expanded under the new commission so as to fully implement the recommendations outlined in the consultant’s report? If so, to what extent and at what cost to the State?

4. The Office of Sustainability was established within the department through a $600,000 initiative in the current budget. The office was established to encourage the growth of "sustainable" businesses. "Sustainable" businesses are those which use raw materials from renewable sources, generate no emissions, and produce a product or service that is either environmentally benign or mitigates an environmental problem. The proposed Budget maintains $600,000 in State funding for the office, and places it within the proposed Commerce and Economic Growth Commission. State funding for this program is supplemented in FY 1998 by $1.5 million transferred from the Department of Environmental Protection pursuant to Budget language authority. The Office of Sustainability utilizes its appropriation to offer technical assistance and recoverable grants to "sustainable" businesses.

**Questions:** Please provide data on the number of businesses provided with technical assistance through the Office of Sustainability to date, as well as the number of grants provided, the amount of each grant, and a brief description of each grant. Please provide a breakdown of the operating budget for the office, including the salaries of each position. What have been the specific accomplishments of this new program thus far, and what are its goals for FY 1999?

5. The FY 1999 Direct State Services and Grants-In-Aid appropriation for the Commission on Science and Technology is recommended to increase from $15.1 million in the current year to $19.5 million (29.1 percent). The recommended budget reflects a nearly eight-fold increase, from $631,000 in FY 1998 to $5.0 million in FY 1999, for the commission's Grants-In-Aid funding for the
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Technology Transfer program.

The Technology Transfer program is a matching grant program that underwrites individual company and university technology transfer and product development projects, assisting in the transfer of newly-developed technology from the university to the marketplace. The Administration anticipates that the proposed increase will “create approximately 300 new high-skilled, high-paying jobs, and help foster the creation of some 35 companies.”

Questions: Please discuss the basis upon which the estimate of the number of jobs and companies that would be created under the expansion of the Technology Transfer program was determined. In FY 1998, how many grant applications has the program received and how many has it funded? Will any additional positions be associated with the expansion of this program?

6. The proposed FY 1999 Budget includes a new, Special Purpose appropriation of $150,000 within the International Trade program for an "Agricultural Exports Initiative" to "ensure that New Jersey's food products continue to gain prominence in the world marketplace." According to the Office of Management and Budget, this program will result in the hiring of one additional position focused on the promotion of New Jersey's agricultural exports.

Questions: Please provide specific information on the goals of this new program and the specific activities to be undertaken as a result of this initiative. What, if any, additional funding sources will be available to operate this program?

7a. The "New Jersey Urban Enterprise Zones Act," P.L. 1983, c.303 (C.52:27H-61 et seq.), was established to encourage the revitalization of the State's distressed urban communities through the authorization of tax credits, tax exemptions and other benefits to qualified businesses within the zones. Primary among these benefits is the ability of qualified zone businesses to charge a reduced sales tax of three percent, instead of the current rate of six percent. Over the 20 year life of a zone, a declining share of revenues from the reduced sales tax is deposited into the Urban Enterprise Zone Assistance Fund to provide zone municipalities with the resources to fund certain public improvement projects.

Since 1993 the number of municipalities eligible for designation as urban enterprise zones has nearly tripled from the ten zones originally authorized in 1983 to an existing total of 27. As a result of this increase in the number of zones, revenues deposited in the Urban Enterprise Zone Assistance Fund have increased dramatically in recent years, from $57.9 million in FY 1995 to a projected $90.5 million in FY 1999.

Questions: For each zone, please provide an updated listing of all approved projects, including, for each project, the following: a brief description of the project, the date funds were committed by the authority, amount obligated, amount disbursed. Also, please provide a summary of each zone's account status, including sales tax collected, interest earned, disbursements, obligations and working balance.

7b. According to the Budget Recommendation, the Urban Enterprise Zone program is one of the existing core functions of the department to be shifted to the proposed New Jersey Commerce and Economic Growth Commission.
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! Question: Please describe any changes anticipated with respect to the operation of the Urban Enterprise Zone program as a result of its proposed shift to the Commission.

8. Due to a lack of meaningful performance data, the department last year proposed to investigate new contract providers to oversee the provision of counseling and technical assistance to the small business community. Prior to FY 1998, the department had provided these services through annual contracts with the New Jersey Small Business Development Center (NJSBDC), located at the Rutgers Graduate School of Management. Special purpose funding for this program, now under the heading of "Small Business Outreach/Technical Assistance" is maintained at $500,000 in the proposed FY 1999 Budget.

! Questions: Has the department contracted with any new or additional providers to provide counseling and technical assistance to the small business community under this program? If so, please identify the organizations or agencies with which the department has contracted, as well as the cost of each contract. What performance standards have been set for any new service providers? Has there been any change in the number of individuals served during this period of transition in the program?

9. "The Business Employment Incentive Program Act," P.L. 1996, c.26 (C.34:1B-124 et seq.), administered by the New Jersey Economic Development Authority, was established to foster job creation in this State. It authorizes the authority to enter into agreements with businesses to provide business employment incentive grants if the project proposed by the business will create, during the term of the agreement, a net increase in employment by the business, a strengthening of the New Jersey economy and increased opportunities for employment for New Jersey citizens.

The "Business Relocation Assistance Grant Act," P.L. 1996, c.25 (C.34:1B-112 et seq.), administered by the department, was established to encourage economic development and job creation. It provides grants in an amount up to and including fifty percent of total allowable relocation costs for businesses relocating a minimum of 25 new full-time jobs to this State.

! Questions: As required pursuant to current Budget language (see FY 1997-1998 Appropriations Handbook, page B-21), for both of these programs, please provide data on all grants provided to date, including, by grant recipient, the amount of each grant, duration of each grant, and the number of new full-time jobs created or relocated to the State as a result of the grant.
The Governor's Proposal: The New Jersey Commerce and Economic Growth Commission

In February, Governor Whitman announced that, although New Jersey has had the fastest growing economy in the Mid-Atlantic region for the past three years, new steps were needed to create a more market-driven approach to economic development in the State. She thus proposed the abolishment of the current Department of Commerce and Economic Development, and the replacement of the department with the New Jersey Commerce and Economic Growth Commission.

Subject to enabling legislation, the Commerce and Economic Growth Commission would be a public-private partnership that would focus exclusively on job creation and business development. Programs regarded as unrelated to these goals, such as Travel and Tourism and Public Broadcasting, would be shifted to other State departments. The proposed commission would be governed by a board of directors comprised of public and private sector representatives. The Governor would serve as chair of the board, and the current Commissioner of Commerce and Economic Development would serve as Chief Executive Officer.

The commission would continue to focus on business retention and attraction through programs which include the accounts management system, international trade, business advocacy, the development of small business and women and minority owned businesses, maritime resources and the development of sustainable businesses. According to the commissioner, a new system is necessary because "business will continue to rapidly change" and flexibility is needed to "develop new industries, to leap on new trends." Because the current structure of the department is constrained by statutory requirements which can only be amended by legislation, or by executive order, its structure is, according to the commissioner, "too rigidly set in place." Moreover, according to press reports and comments made by the commissioner, unlike the current department, the new commission would not be bound by Civil Service rules governing employee hiring, promotion, and retention.

In recent years, numerous other states have shifted to public-private partnerships, of various forms, to spearhead their economic development efforts. While states as diverse as Rhode Island, New York and Virginia have moved in this direction, three particular state programs, the Michigan Jobs Commission, Enterprise Florida, and Tennessee Tomorrow, have been cited by the commissioner as models under study in the development of the proposed commission. These three states offer three fairly unique approaches from which the New Jersey model may draw.

The Michigan Jobs Commission

Established in April 1993, the Michigan Jobs Commission (MJC) was created through the consolidation of more than 50 different economic development, job training and retraining programs.

The MJC is governed by a private sector board of directors representing a cross-section of the business, academic, and financial communities. The Governor sits as chair of the board, and the MJC is run by a Chief Executive Officer, who reports directly to the Governor. The MJC has a wide mandate, claiming to be the only department of state government in the nation charged with business retention, economic development, and workforce development. In New Jersey, workforce development is a function of the Department of Labor.
Background Paper: Public-Private Partnership Models for the Proposed New Jersey Commerce and Economic Growth Commission

Because MJC is responsible for all of Michigan's economic development and workforce development programs, its budget is larger than the combined budgets of New Jersey's Department of Labor and Department of Commerce and Economic Development. In Michigan in FY 1998, the total gross budget appropriation for the MJC is $602.0 million, of which $458.0 million is federal funding (primarily for job training, such as Jobs Training Partnership Act funding) and $111.6 million is general fund revenue (see graph below). This funding supports 1,697 full time employees, of which 1,359 are dedicated to workforce development, while 239 are dedicated to economic development, and 90 are dedicated to overall administration. MJC's employees are covered by the state's civil service rules.

The MJC provides a number of business retention and expansion services, including economic development services, such as an electronic site location network, export assistance, joint venture assistance, and tax abatement services; financial services, such as private financing referral, employee stock ownership programs, and job creation tax credits; workforce development, such as training and retraining programs and school-to-work partnerships; business competitiveness services, such as technology consulting and referral, safety education training, total quality management assistance, and business round tables; and regulatory assistance. MJC also credits its 11 "Renaissance Zones" (tax free areas) and job creation tax credits for its state's economic development success.

The MJC utilizes a number of performance variables to measure its effectiveness, such as the number of businesses receiving training, bid/trade leads generated, value of federal/export contracts won, jobs created, number of customer assistance inquiries handled and successfully referred, level of customer satisfaction, business retention and attraction rates, employment statistics for welfare recipients, and assessment of JTPA-funded programs.

According to a number of business surveys, Michigan's efforts have been beneficial. For example, Site Selection magazine, published by the International Development Research Council, rated Michigan as the top state in business expansion (including new/expanded global facilities, new manufacturing, and new facilities/expansions) in 1997. And Michigan was ranked number seven in Business Facilities magazine's top fifteen business locations in the United States for 1997. In addition, U.S. Department of Commerce Data ranked Michigan fourth nationally in total value of exports in 1994, 1995, and 1996.
Enterprise Florida

In 1996, the Florida Legislature eliminated the state's commerce department and turned over its economic development and international trade strategies to a public-private partnership called Enterprise Florida. Enterprise Florida, Inc. (EFI) is a not-for-profit organization headed by a president/CEO and governed by a board of directors comprised of leaders from state government and private industry. It is one of several public-private partnerships, including the Florida Tourism Commission, and the Black Business Investment Board, that report to the Florida Office of Tourism, Trade and Economic Development, within the Office of the Governor.

In the current fiscal year, the EFI budget is $32.47 million, including $23.8 million in state funds, $5.1 million in federal funds, $2.5 million in local funds, and $990,000 in private sector support. In the previous fiscal year, EFI notes that a total of $2.4 million in cash and in-kind contributions were generated from the private sector, including $1.2 million in contributions to provide loan guarantees, $613,515 in direct contributions to the general operations of Enterprise Florida, $417,655 in fees generated, and $206,722 in in-kind goods and services. Legislation that established EFI required it to raise a 10 percent match against the amount received from state revenue, both cash and in-kind, from the private sector in their first year. This statute increases the match by 10 percent each year until reaching a target of 50 percent revenue derived from private sector funds.

Enterprise Florida’s overall funding supports 131 full time employees. While EFI's staff are not state civil service employees, when the transition from a state department was made, a small number of employees (less than ten) were shifted to other state departments and are now utilized "on-loan."

EFI is structured in four "program units" governing its major activities: Technology Development, Capital Development, Workforce Development, and International Trade and Economic Development.

The Technology Development unit focuses on creation of high tech and high wage jobs primarily in the manufacturing sector by aiding small and medium-sized manufacturers in the commercialization of innovative products and assisting in entrepreneurship. The Workforce Development unit, through an individual not-for-profit organization within Enterprise Florida, is charged under state legislation with designing the state's workforce development strategy. The International Trade and Economic Development unit conducts economic and trade development functions and consists of three divisions: International Trade; Business Recruitment; and Expansion and Retention. The Capital Development unit develops equity and debt-oriented capital products to assist businesses in accessing appropriate forms of capital to finance their growth.

Florida law required EFI to develop a strategic "plan for monitoring its operations to ensure that performance data are maintained and supported by records of the organization." EFI is also required to utilize an extensive list of "benchmarks and goals" to measure the impact of economic development programs, and report regularly on these to the Legislature (see table following).
Background Paper: Public-Private Partnership Models for the Proposed New Jersey Commerce and Economic Growth Commission

List of "Benchmarks" Established by Florida Legislature to Evaluate Enterprise Florida, Inc.

- Job growth rate relative to neighboring states;
- Unemployment rate relative to neighboring states;
- Annual percentage growth in production of goods and services;
- Number of new business start-ups;
- Goods produced in state that are exported to other countries;
- Level of above average/below average wage distribution;
- Changes in job levels by major industry categories.

Source: Ch. 96-320 Laws of Florida

EFI notes that Florida was chosen as the number one business location by Business Facilities magazine in 1997. Site Selection magazine ranked Florida number 7 in new facilities/expansions, number 10 in new/expanded global facilities, and number 8 in new manufacturing in 1997. In addition, Florida ranked first among the states in the number of new business incorporations in 1996, according to the Dun and Bradstreet Corporation.

Tennessee Tomorrow, Inc.

Tennessee Tomorrow, Inc. (TTI) offers a markedly different approach than Florida and Michigan that more closely reflects the organizational and operational structure of Prosperity New Jersey, which was established within the Department of Commerce and Economic Development pursuant to Executive Order No. 38 of 1995.

Like Prosperity New Jersey, Tennessee Tomorrow, Inc., was established to work in conjunction with the current Tennessee Department of Economic and Community Development. It is a non-profit organization with only two full-time employees, and four employees under contract. It is governed by a board of directors, consisting of public and private sector leaders. The chair of the board is the Governor, and there are two co-vice chairs: the Commissioner of the Tennessee Department of Economic and Community Development, and a private sector representative.

TTI was established in 1994 to "develop and execute a strategic vision for the state's economic development." It was established through a one-time start-up appropriation provided by the state of $500,000, and $1.5 million in private sector donations that TTI has raised since its inception. It has a stated goal of eventually becoming completely self-supporting.

TTI has focused its efforts on obstacles to economic competitiveness, which were determined through a competitiveness assessment conducted by TTI. The major obstacle to economic development that was identified was the fact that the state lagged behind many in the region in the education level of its workforce; thus, much of TTI's efforts to date have focused on educational enhancement. Most notable has been development of SkillsNet, an Internet-based delivery of education and training services. Tennessee companies sign up for a 24-hour a day
Background Paper: Public-Private Partnership Models for the Proposed New Jersey Commerce and Economic Growth Commission

connection to a number of certified industrial education programs. Paying approximately $12 a month per worker, companies can access programs from third grade reading courses to college level math courses.

Tennessee Tomorrow also recently initiated a "School-to-Career" project, successfully gaining $28.2 million in federal funds to work with schools to provide a better focus on skills-building for future employability. A former chief executive officer of Lockheed Martin has agreed to head up the project.

TTI is structured in three major "policy groups" to address its goals. The Workforce Development Board oversees TTI's education projects, as previously mentioned. The Innovation, Technology and Infrastructure Board focuses on development of information tools, interactive video meeting rooms, and the development of economic development partnerships. The Finance Policy Group is developing a "Tennessee Industrial Finance Corporation" which will provide longer term, fixed rate financing tools for small and medium-sized manufacturing companies and high technology corporations. It is also presently studying development of an early-stage seed venture capital fund.

Tennessee's economic development efforts have led to strong rankings in state surveys. It ranked ninth in Business Facilities Magazine's 1997 ranking of top business locations; and ninth in Site Selection magazine's 1997 rating of top states in new/expanded global facilities.

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Individuals wishing information and committee schedules on the FY 1999 budget are encouraged to contact:

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