LEGISLATIVE FISCAL ESTIMATE

ASSEMBLY, No. 4868

STATE OF NEW JERSEY
220th LEGISLATURE

DATED: FEBRUARY 27, 2023

SUMMARY

Synopsis:	Establishes Small Business Resiliency Project Loan Program in EDA for certain small businesses implementing certain resiliency projects.
Type of Impact:	Increase in State expenditures and revenues.
Agencies Affected:	New Jersey Economic Development Authority.

Office of Legislative Services Estimate

Fiscal Impact	**Year 1**	**Year 2 and After**
State Cost Increase	Indeterminate	Indeterminate
State Revenue Increase	--	Indeterminate

- The Office of Legislative Services (OLS) expects the bill to increase State expenditures associated with the establishment and operation of the Small Business Resiliency Project Loan Program by the New Jersey Economic Development Authority. These cost increases would primarily stem from the provision of program loans and the ongoing administration of the loan program.

- The OLS also expects the repayment of program loans to increase State revenues. Depending on the interest rates approved by the authority and the default rate of loan recipients, these loan repayments may partially or wholly offset any expenses incurred by the authority in the operation of the loan program.

BILL DESCRIPTION

This bill requires the Economic Development Authority to establish and maintain the Small Business Resiliency Project Loan Program to provide financial assistance in the form of low-interest loans to qualified small businesses that are engaging in or have completed resiliency projects. Under the bill, a "resiliency project" includes any projects or activities that improve or support the treatment or management of drinking water, wastewater, and storm water; enhance the reliability and resiliency of the electrical grid and public utility infrastructure; expand access to

Office of Legislative Services
State House Annex
P.O. Box 068
Trenton, New Jersey 08625

– OLS –

Legislative Budget and Finance Office
Phone (609) 847-3105
Fax (609) 777-2442
www.njleg.state.nj.us

broadband internet; or utilize technology, infrastructure improvements, and other materials that protect against climate change-related natural hazards.

The bill requires the authority to establish an application process. A qualified small business that seeks assistance under the loan program is required to submit an application to the authority in a form and manner prescribed by the authority. In addition to any other information that the authority may deem appropriate, the application is required to request an applicant to submit information demonstrating that the applicant meets the eligibility requirements and an outline of the anticipated use of loan proceeds.

Under the bill, the authority is required to approve applications for the loan program on a rolling basis, subject to the availability of funds. In reviewing applications, the authority is required to give priority based on the long-term impact of the qualified small business on the State economy, the type of resiliency project, and whether the principal operations of the qualified small business are located in a municipality of the State that has incorporated a climate change-related hazard vulnerability assessment into the land use plan element of the municipality's master plan.

Upon approval of an application, the authority is required to enter into a loan agreement with the qualified small business and provide a low-interest loan to the qualified small business. Each loan issued under the loan program is required to bear interest at rates lower than and provide more flexible repayment terms than are customarily made available through conventional business loans issued by private lenders. A qualified small business that receives financial assistance under the loan program is to annually report to the authority until such time as the full balance of the loan has been repaid to the authority.

The bill also requires the authority to establish and maintain a Small Business Resiliency Project Loan Fund to support the operations of the loan program. Under the bill, any monies received by the authority for the repayment of a loan issued pursuant to the loan program would be deposited into the non-lapsing revolving loan fund. Any interest collected from loans provided by the loan program may be used by the authority to offset the costs of the administration of the loan program, or otherwise are required to be deposited into the fund. The authority may also credit the fund with monies received from State, federal, or private sources and may use those funds to provide financial assistance to qualified small businesses in a manner consistent with federal law or the private source of funds.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS concludes that the bill will increase the expenditures and revenues of the Economic Development Authority associated with the establishment and operations of the Small Business Resiliency Project Loan Program. Because the OLS is unable to determine the amount of funding that will be dedicated to the loan program, the OLS cannot predict the magnitude of these fiscal impacts.

Initially, the authority is expected to incur additional expenses in establishing and administering the loan program. These expenses would primarily consist of the issuance of program loans; however, the OLS also expects the authority to incur additional expenses related to the ongoing administration of the loan program, which responsibilities may include creating program rules, reviewing applications, and verifying compliance with any terms of the loan program. The OLS is unable to quantify the magnitude of these administrative expenses because it is unclear how many resources will be dedicated to the loan program or how many businesses will apply for program loans. Accordingly, the OLS is unable to determine whether the authority would be required to hire additional staff to administer the loan program.

Following the establishment of the loan program, the repayment of program loans is expected to increase annual revenues for the authority. Depending on the rate of interest approved by the authority for program loans and the default rate of loan recipients, these loan repayments may partially or wholly offset any expenses incurred by the authority in the operation of the loan program. Under the bill, the authority may determine the interest rate and repayment schedule for each program loan, except that the interest rate is required to be lower and the repayment schedule is required to be more flexible than conventional business loans. Accordingly, based on the terms of each program loan, there may be a significant lag between the times in which the authority incurs program expenses and the times in which the authority receives loan repayments.

Under the bill, the authority is required to establish and maintain a Small Business Resiliency Project Loan Fund to support the operations of the loan program. Notably, the authority would be required to issue all program loans from the monies deposited into the fund. Thereafter, the repayment of all program loans would be deposited into the fund. Consequently, the fiscal impact of the bill would be borne by the authority through this fund. Although the bill does not appropriate any monies into the fund, the authority would be permitted to credit the fund with any monies received from federal, State, or private sources. Accordingly, the OLS is unable to predict amount of funding that will be dedicated to the loan program.

Section: *Authorities, Utilities, Transportation and Communications*

Analyst: *Joseph A. Pezzulo*
Senior Research Analyst

Approved: *Thomas Koenig*
Legislative Budget and Finance Officer

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).