

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

SENATE, No. 1889

STATE OF NEW JERSEY
220th LEGISLATURE

DATED: MARCH 7, 2022

SUMMARY

- Synopsis:** Prohibits government dealings with businesses associated with Belarus or Russia.
- Type of Impact:** Indeterminate impact.
- Agencies Affected:** All State agencies, including independent authorities and institutions of higher education; local government entities; boards of education; county colleges.

Office of Legislative Services Estimate

Fiscal Impact	<u>Years 1-4</u>
State and Local Impact	Indeterminate

- The Office of Legislative Services (OLS) cannot determine the fiscal impact of this bill because of a lack of information on the current contracts, investments, and banking relationships that would be prohibited by the bill, or the alternatives that would be adopted if the bill’s prohibitions take effect.
- The net fiscal impact of the bill may be positive, negative, or neutral depending on the behavior of some contractors and private businesses, and on dynamic economic variables that cannot be foreseen.
- The OLS anticipates that there may possibly be an indeterminate revenue increase from the imposition of the penalties provided for in the bill.
- The bill imposes certain responsibilities on the Department of the Treasury that, the OLS anticipates, could be absorbed within existing resources.

BILL DESCRIPTION

This bill prohibits various government dealings with businesses associated with Belarus or Russia.

Pursuant to the bill, a person that engages in investment activity with the government of Russia or Belarus will be placed on a list by the Department of the Treasury and will not be permitted to: contract with State agencies, file or renew a Public Works Contractor Registration, receive an economic development subsidy from the Economic Development Authority, be awarded a municipal property tax abatement, or make or enter into a payment in-lieu of property tax agreement, apply for or receive a tax clearance certificate from the Division of Taxation, be certified as an urban renewal entity for purposes of the "Long Term Tax Exemption Law," or be designated as a redeveloper by a public agency for the purposes of the "Local Redevelopment and Housing Law." A false certification could result in a civil penalty of \$1,000,000 or twice the amount of the bid or application.

The bill also prohibits the State from investing pension or annuity funds in a company owned or controlled by the government of Russia or Belarus, and requires the divestment of any such investments currently held within two years. Finally, the bill prohibits the State and its subdivisions from: banking with, having or holding stock, debt, or other equity investments of, or maintaining insurance coverage through a policy issued by a financial institution that has an equity tie to the government of Russia or Belarus.

The bill expires four years after the effective date.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS cannot determine the fiscal impact of this bill because the OLS lacks information on (1) how many and which companies would become ineligible to submit a bid or proposal or otherwise enter into or renew a public contract in this State, and the types and contracting patterns of the government entities in this State; and (2) what current investments may be required to be divested and how those funds might alternatively be invested; or (3) what banking relationships may need to change to comply with the bill.

The impact on future contracting costs may not be ascertainable due to unknown and dynamic economic variables. Hypothetically, to the extent that this bill reduces the number of entities eligible and competent to hold certain public contracts, the remaining eligible contractors may increase their prices. However, the OLS has no information to indicate how likely such a situation may be to present itself.

The bill's impact on future investment returns may be positive, negative, or neutral depending on the performance of assets that public entities would hold in the absence of the bill as compared to those they would hold if prohibited from holding certain assets related to Russia or Belarus. The OLS does not have information on the extent to which public resources are currently placed in investments that the bill would require to be withdrawn. United States economic sanctions and the current economic climate would likely prevent the State or its subdivisions from making any substantial new investments in Russia or Belarus in the near future, even in the absence of this bill.

Widespread economic sanctions against Russia and Belarus have caused substantial damage to their economies, and likely led to a devaluation of many investments related to those countries. It is unknown how the value of those assets may continue to change before the bill is enacted, or during the following years during which the bill would be in effect.

The OLS anticipates that there may possibly be an indeterminate revenue increase from the imposition of the penalties provided for in the bill.

The bill imposes certain responsibilities on the Department of the Treasury that, the OLS anticipates, could be absorbed within existing resources.

Section: Revenue, Finance, and Appropriations

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