

**LEGISLATIVE FISCAL ESTIMATE**  
**SENATE, No. 2916**  
**STATE OF NEW JERSEY**  
**220th LEGISLATURE**

DATED: JULY 5, 2022

**SUMMARY**

**Synopsis:** Establishes Capital Project Development Loan Program to support certain large-scale redevelopment projects; appropriates \$300 million.

**Type of Impact:** Increase in annual State expenditures and revenues; potential increase in annual expenditures and revenues for local units, public institutions of higher education, and State-owned hospitals.

**Agencies Affected:** New Jersey Economic Development Authority, local government units, public institutions of higher education; State-owned hospitals.

**Office of Legislative Services Estimate**

<b>Fiscal Impact</b>	<b><u>Year 1</u></b>	<b><u>Year 2 and After</u></b>
<b>State Cost Increase</b>	Up to \$300 million	Indeterminate
<b>State Revenue Increase</b>	--	Indeterminate
<b>Potential Local Cost Increase</b>	--	Indeterminate
<b>Potential Local Revenue Increase</b>	Indeterminate	Indeterminate
<b>Potential Cost Increase: Public Institutions of Higher Education</b>	--	Indeterminate
<b>Potential Revenue Increase: Public Institutions of Higher Education</b>	Indeterminate	Indeterminate
<b>Potential Cost Increase: State-Owned Hospitals</b>	--	Indeterminate
<b>Potential Revenue Increase: State-Owned Hospitals</b>	Indeterminate	Indeterminate

- The Office of Legislative Services (OLS) expects the bill to increase annual State expenditures associated with the establishment and operation of the Capital Project Development Loan Program by the New Jersey Economic Development Authority (EDA). These cost increases would primarily stem from the provision of program loans and the ongoing administration of the program. The bill appropriates \$300 million from the General Fund to capitalize the loan program revolving fund.

- The OLS also expects the repayment of program loans to increase annual State revenues. The magnitude of the revenue gain will depend on the performance of the loan portfolio and the rate of interest approved by the EDA for program loans.
- Under the bill, certain public entities, including public institutions of higher education, State-owned hospitals, and local government units (e.g., municipalities, counties, and any instrumentalities thereof), may qualify for program loans. Consequently, the bill would increase the expenditures and revenues of any public entity that receives a program loan.

## **BILL DESCRIPTION**

This bill establishes the Capital Project Development Loan Program within the EDA to provide low-interest loans to support the completion of transformative capital projects. The bill appropriates \$300 million from the General Fund to capitalize the loan program.

To qualify for the loan program, an applicant would be required to: (1) be a public institution of higher education, a State-owned hospital, a public agency, or a non-profit organization; (2) undertake a transformative capital project, which is defined to include large-scale redevelopment projects that support research and development, health care infrastructure, green infrastructure, or transformational real estate and infrastructure; and (3) meet any other eligibility requirements that the EDA deems appropriate. However, if the applicant is a non-public entity, the applicant would also be required to demonstrate that the project would be operated under a public-private partnership agreement, as approved by the EDA.

Under the loan program, the EDA may approve applications on a rolling basis, subject to the availability of funds. When reviewing applications, the bill permits the EDA to prioritize applications based on any considerations that the EDA deems appropriate, including the intent of the project, the economic feasibility of the project, and the degree to which the project advances Statewide and regional planning goals.

Upon approval of an application, the EDA would provide low-interest loans to each selected applicant. Each loan may mature no later than 30 years after the date of issuance. The bill also provides that if a borrower fails to repay all or part of a program loan, the EDA may disqualify the borrower from future program loans.

The bill also requires the EDA to establish and maintain a non-lapsing revolving fund, which would be known as the Capital Project Development Loan Fund. The revolving fund would serve as the repository of all monies used to support the loan program. Specifically, the \$300 million that is appropriated from General Fund under the bill would be deposited into the revolving loan fund.

## **FISCAL ANALYSIS**

### ***EXECUTIVE BRANCH***

None received.

**OFFICE OF LEGISLATIVE SERVICES**

The OLS concludes that the bill will increase the annual expenditures and revenues of the EDA associated with the establishment and operations of the Capital Project Development Loan Program. The bill may also increase the expenditures and revenues of any local government unit, public institution of higher education, or State-owned hospital that receives a program loan.

The EDA is expected to incur additional annual expenses in establishing and administering the loan program. These expenses would primarily consist of the issuance of program loans, for which the bill appropriates \$300 million from the General Fund. The OLS also expects the EDA to incur additional expenses related to the ongoing administration of the program, which responsibilities will include creating program rules, reviewing applications, and verifying compliance with the terms of the loan program. However, the OLS is unable to quantify the magnitude of these administrative expenses because it is unclear whether the EDA would be required to hire additional staff to administer the program.

The repayment of program loans will also increase annual EDA revenues by an indeterminate amount. The magnitude of the revenue gain will depend on the performance of the loan portfolio and the rate of interest approved by the EDA for program loans. Under the bill, the EDA may determine the repayment schedule of each program loan, except that no loan may mature more than 30 years after the date of issuance. Accordingly, depending on the terms of each program loan, there may be a significant lag between the times in which the EDA incurs program expenses and the times in which the EDA receives loan repayments. As the EDA receives these loan repayments, it will make additional loans to eligible borrowers.

Under the bill, certain public entities, including public institutions of higher education, State-owned hospitals and local government units (e.g., municipalities, counties, and any instrumentalities thereof), may also qualify for program loans. Consequently, the bill would increase the expenditures and revenues of any such entity that receives a program loan. Specifically, these public entities would experience a one-time revenue increase when the loan is received, followed by expenditure increases from loan repayments and interest charges until the loan has been fully repaid. To the extent that the availability of low interest loans induces these entities to undertake capital projects they otherwise would not have, these entities will also experience higher costs.

*Section: Authorities, Utilities, Transportation and Communications*

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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.).