

ASSEMBLY, No. 660

STATE OF NEW JERSEY 216th LEGISLATURE

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SYNOPSIS

Concerns reviews of State's economic development incentives.

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel



(Sponsorship Updated As Of: 1/13/2015)

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1 AN ACT concerning reviews of the State's economic development
2 incentives, supplementing chapter 24 of Title 52 of the Revised
3 Statutes.

4
5 **BE IT ENACTED** by the Senate and General Assembly of the State
6 of New Jersey:

7
8 1. a. The State Auditor shall, on or before July 1 next following
9 the effective date of this act and on or before July 1 of every second
10 year thereafter, publish a report on an audit of every program of the
11 New Jersey Economic Development Authority (hereinafter,
12 "authority") that provides a private business with a grant, loan, or
13 tax credit. The report and audit shall cover the two-year period
14 ending on December 31 of the year preceding the date of its
15 publication. The purpose of the report and audit shall be to enable
16 an evaluation of the State's return on the economic development
17 incentives provided through the authority to private businesses.

18 b. The report and audit shall provide detailed information on
19 grants, loans, and tax credits awarded by the authority and on the
20 private businesses that received those grants, loans, or tax credits.
21 The report and audit (hereafter, "report") shall include a description
22 of each authority program that provides a grant, loan, or tax credit
23 to a private business. The report shall also include the following
24 information about every grant, loan, or tax credit in excess of
25 \$1,000 that the authority shall have awarded after 2006 to a private
26 business:

27 (1) the name of the private business that received the grant, loan,
28 or tax credit;

29 (2) the amount of the grant, loan, or tax credit;

30 (3) a detailed description of any development project that the
31 private business was required to complete in exchange for the grant,
32 loan, or tax credit and the status of the project;

33 (4) the amount of any investment, in excess of the funds
34 provided by the State, that the authority required the private
35 business to make in exchange for the grant, loan, or tax credit and
36 the amount invested by the private business;

37 (5) the number of jobs that the private business promised to
38 create, retain, or relocate within the State in exchange for the grant,
39 loan, or tax credit and the number of those jobs that were to be
40 permanent or temporary;

41 (6) the actual number of jobs that the private business created,
42 retained, or relocated within the State as the direct or indirect result
43 of the grant, loan, or tax credit, whether those jobs were temporary
44 or are permanent, whether those jobs still existed in this State at the
45 conclusion of the reporting period, or at the conclusion during the
46 reporting period of the term of any contract or agreement between
47 the authority and the business, under which contract or agreement

1 the grant, loan or tax credit was awarded, and the salary and
2 benefits provided during the reporting period to the individuals who
3 have filled those jobs;

4 (7) the total number of individuals employed by the private
5 business in this State on the day it received the grant, loan, or tax
6 credit, the total number of individuals employed by the private
7 business in this State at the conclusion of the reporting period or at
8 the conclusion during the reporting period of any contract or
9 agreement referred to in paragraph (6) of this subsection, and
10 whether the private business has engaged in any layoffs in this State
11 since its receipt of the grant, loan, or tax credit;

12 (8) the amount of additional tax revenue, on an annual basis for
13 each year since the grant, loan, or tax credit was issued, attributable
14 to increases in the private business's net income, sales, or
15 workforce as the direct or indirect result of its receipt of the grant,
16 loan, or tax credit, including, but not limited to, additional income
17 tax withholdings from an employee in a job created by the grant,
18 loan, or tax credit; and

19 (9) the use of a provision of law by the authority to recapture or
20 reduce the benefits of any grant, loan, or tax credit awarded to a
21 private business.

22 The report shall also include a summary of its findings and shall
23 detail any trends, positive or negative, that could be utilized to
24 improve the State's return on the economic development incentives
25 provided through the authority to private businesses.

26 c. The report shall highlight any information required by this
27 section that the preparers of the report were unable to obtain
28 through the authority and recommend any legislative changes that
29 would allow the authority to collect that information.

30 d. (1) The Office of the State Auditor shall not itself prepare the
31 report to be published pursuant to this section; rather, the State
32 Auditor shall contract with an independent private entity to prepare
33 the report. The entity awarded the contract shall have at least 10
34 years' experience in the preparation of financial and performance
35 audits of governmental units or their agencies and instrumentalities.
36 The contract shall require that the audit portion of the report be
37 conducted in accordance with generally accepted government
38 auditing standards used by the federal General Accountability
39 Office.

40 The authority shall provide the independent private entity with
41 unfettered access to any authority documents, records and
42 employees. The independent private entity shall be required by
43 contract to maintain the confidentiality of any confidential
44 information it obtains through the authority.

45 (2) The independent private entity shall not publish its report or
46 any part thereof to, or discuss its findings with, any person other
47 than the State Auditor and the Executive Director of the authority,

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1 to each of whom the independent private entity shall transmit a
2 copy of the report. Upon receipt of the report, the State Auditor
3 shall transmit a copy of the report to the Governor and, pursuant to
4 section 2 of P.L.1991, c.169 (C.52:14-19.1), to the Legislature, and
5 the State Auditor and the authority shall make the report available
6 to the public through the Office of the State Auditor's website and
7 the authority's website, respectively.

8

9 2. a. There is hereby established the "Legislative Task Force
10 on Business Development Incentives."

11 b. The task force shall study the effectiveness of the business
12 development and retention incentives offer by the New Jersey
13 Economic Development Authority.

14 c. The task force shall be comprised of 14 members, as
15 follows:

16 (1) The chairpersons of the Senate Economic Growth
17 Committee, the Senate Labor Committee, the Senate Budget and
18 Appropriations Committee, the Assembly Commerce and Economic
19 Development Committee, the Assembly Labor Committee, and the
20 Assembly Appropriations Committee, or their respective
21 successors;

22 (2) A member of the Senate Economic Growth Committee, a
23 member of the Senate Labor Committee, and a member of the
24 Senate Budget and Appropriations Committee, or of their respective
25 successors, to be appointed by the Minority Leader of the Senate;
26 and a member of the Assembly Commerce and Economic
27 Development Committee, a member of the Assembly Labor
28 Committee, and the Assembly Appropriations Committee, or of
29 their respective successors, to be appointed by the Minority Leader
30 of the General Assembly; and

31 (3) The Majority Leader of the Senate and the Majority Leader
32 of the General Assembly.

33 d. The appointment of members of the task force under
34 paragraph (2) of subsection c. of this section shall be made within
35 30 days of the Legislature's receipt of the first report transmitted
36 pursuant to section 1 of P.L. , c. (C.) (pending before the
37 Legislature as this bill). Vacancies in the appointed membership of
38 the task force shall be filled in the same manner as the original
39 appointments were made.

40 e. The task force shall hold at least one public hearing to take
41 testimony regarding the findings of the report published by the State
42 Auditor pursuant to section 1 of P.L. , c. (C.) (pending before
43 the Legislature as this bill) within 30 days of the appointment of the
44 task force members under paragraph (2) of subsection c. of this
45 section.

46 f. The task force shall submit a report to the Governor and,
47 pursuant to section 2 of P.L.1991, c.164 (C.52:14-19.1), to the

1 Legislature, within 120 days of the Legislature's receipt of the
2 report published by the State Auditor pursuant to section 1 of
3 P.L. , c. (C.) (pending before the Legislature as this bill).
4 The task force report shall summarize the findings of the State
5 Auditor's report and provide recommendations for revising or
6 discontinuing any existing New Jersey Economic Development
7 Authority program so as to improve the State's return on the
8 economic development incentives provided through the authority to
9 private businesses.

10 g. The Office of Legislative Services shall provide such
11 technical, stenographic, and secretarial assistance as may be
12 required by the task force. The task force may also request the
13 assistance and services of employees of any other State department,
14 board, bureau, commission, task force, or agency as it may require
15 and as may be available to it for its purposes.

16

17 3. This act shall take effect on January 1 next following
18 enactment, and section 2 shall expire upon submission of the task
19 force's report to the Legislature.

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22 STATEMENT

23

24 This bill requires a biennial audit of the economic development
25 incentive programs of the New Jersey Economic Development
26 Authority ("EDA"). The bill also establishes the "Legislative Task
27 Force on Business Development Incentives" ("task force").

28 This bill would expand upon on the existing reporting
29 requirements in some EDA programs and allow the State to
30 examine economic development incentives as a whole in order to
31 identify the most effective forms of incentives.

32 The bill directs the State Auditor to hire a private entity every
33 two years to audit the EDA's programs and produce a report that
34 provides information on every grant, loan, or tax credit awarded to
35 a private business and the recipient issued after 2006 and in excess
36 of \$1,000. The report is required to include the following
37 information:

38 (1) the name of the private business that received the grant, loan,
39 or tax credit;

40 (2) the amount of the grant, loan, or tax credit;

41 (3) a detailed description of any development project that the
42 private business was required to complete in exchange for the grant,
43 loan, or tax credit and the status of the project;

44 (4) the amount of any investment, in excess of the funds
45 provided by the State, that the authority required the private
46 business to make in exchange for the grant, loan, or tax credit and
47 the amount invested by the private business;

1 (5) the number of jobs that the private business promised to
2 create, retain, or relocate within the State in exchange for the grant,
3 loan, or tax credit and the number of those jobs that were to be
4 permanent or temporary;

5 (6) the actual number of jobs that the private business created,
6 retained, or relocated within the State as the direct or indirect result
7 of the grant, loan, or tax credit, whether those jobs were temporary
8 or are permanent, whether those jobs still existed in this State at the
9 conclusion of the reporting period, or at the conclusion during the
10 reporting period of the term of any contract or agreement between
11 the EDA and the business, under which contract or agreement the
12 grant, loan, or tax credit was awarded, and the salary and benefits
13 provided during the reporting period to the individuals who have
14 filled those jobs;

15 (7) the total number of individuals employed by the private
16 business in this State on the day it received the grant, loan, or tax
17 credit, the total number of individuals employed by the private
18 business in this State at the conclusion of the reporting period or at
19 the conclusion during the reporting period of any contract or
20 agreement referred to in paragraph (6) above, and whether the
21 private business has engaged in any layoffs in this State since its
22 receipt of the grant, loan, or tax credit;

23 (8) the amount of additional tax revenue, on an annual basis for
24 each year since the grant, loan, or tax credit was issued, attributable
25 to increases in the private business's net income, sales, or
26 workforce as the direct or indirect result of its receipt of the grant,
27 loan, or tax credit, including, but not limited, to additional income
28 tax withholdings from an employee in a job created by the grant,
29 loan, or tax credit; and

30 (9) the use of a provision of law by the EDA to recapture or
31 reduce the benefits of any grant, loan, or tax credit awarded to a
32 private business.

33 The report shall also highlight any information the private entity
34 was unable to obtain through the EDA and recommend legislative
35 changes that would result in ability to obtain that information.
36 Finally, the report shall include a summary of its findings and detail
37 any trends, positive or negative, that could be utilized to improve
38 the State's return on the economic development incentives provided
39 through the EDA to private businesses.

40 The bill also establishes the "Legislative Task Force on Business
41 Development Incentives." The task force membership is to be
42 comprised of:

43 (1) The chairpersons of the Senate Economic Growth
44 Committee, the Senate Budget and Appropriations Committee, the
45 Assembly Commerce and Economic Development Committee and
46 the Assembly Appropriations Committee, or their respective
47 successors;

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1 (2) A member of the Senate Economic Growth Committee and a
2 member of the Senate Budget and Appropriations Committee, or of
3 their respective successors, to be appointed by the Minority Leader
4 of the Senate; and a member of the Assembly Commerce and
5 Economic Development Committee and the Assembly
6 Appropriations Committee, or of their respective successors, to be
7 appointed by the Minority Leader of the General Assembly; and

8 (3) The Majority Leader of the Senate and the Majority Leader
9 of the General Assembly.

10 The task force is directed to hold at least one public hearing
11 concerning the State Auditor's report and issue its own report that
12 makes recommendations for revising or discontinuing any existing
13 EDA program that would improve the State's return on the
14 economic development incentives provided through the EDA to
15 private businesses. Once the task force has issued its report, its
16 statutory authorization shall expire.