

LEGISLATIVE FISCAL ESTIMATE

[Second Reprint]

ASSEMBLY, No. 1191

**STATE OF NEW JERSEY
219th LEGISLATURE**

DATED: MAY 21, 2021

SUMMARY

- Synopsis:** Establishes “Innovation Partnership”; provides funding for certain nonprofit partnerships to promote certain emerging technology businesses.
- Type of Impact:** Annual State expenditure increases; annual indirect State revenue increases
- Agencies Affected:** New Jersey Commission on Science, Innovation and Technology

Office of Legislative Services Estimate

Fiscal Impact	<u>Annual</u>
State Cost Increase	Indeterminate
Indirect State Revenue Increase	Indeterminate

- The Office of Legislative Services (OLS) finds that this bill may result in an indeterminate increase in annual State expenditures and an indirect increase in annual State revenues. The bill establishes a framework for the New Jersey Commission on Science, Innovation and Technology to partner with nonprofit organizations to provide support to emerging technology businesses in the State. The fund which is to support this activity is established under the bill but does not receive an appropriation; however, the commission is likely to incur costs for the new administrative functions it will undertake. If future Legislative activity appropriates monies to the fund, then this bill will require those monies to be expended to advance the development of emerging technology businesses in this State and to create supportive and collaborative innovation ecosystems across New Jersey.
- If an appropriation is made, the commission and its nonprofit partners will utilize those funds to support emerging technology businesses. To the extent that this support is effective, business growth will accelerate, and the ecosystem created will result in greater retention of these business types within the State. Both effects are likely to increase State revenues realized through taxes on the growth in business activity, notably the sales and use tax, income taxes, and corporation business taxes.

- A determination of the magnitude of revenue gains cannot be known at this time, nor whether it will exceed the amount of any future appropriations made to the commission for the program's purposes. Future decisions by the commission about how to structure and administer the program and the amount of possible future appropriations that are not currently knowable will determine the effectiveness of the program and the amount of revenue likely to be realized.

BILL DESCRIPTION

This bill establishes the Innovation Partnership to be administered by the New Jersey Commission on Science, Innovation and Technology and is to include one or more independent nonprofit organization partners certified or established and incorporated by the commission, working individually, in partnership with each other, and in partnership with the commission, to advance the development of emerging technology businesses in this State and to create a supportive and collaborative innovation ecosystems across the State.

The commission is to establish the geographical boundaries for the partners to focus their efforts, which may overlap and are to be drawn to allow for broad inclusion of existing partner sites, research institutions, and innovation ecosystems. The partners are to be responsible for implementing the various goals for each of four regions in the State: northern, central, southern, and the shore.

A nonprofit organization established as of the date of the bill's enactment and meeting one of the regional requirements may submit to the commission an application, in a form and manner determined by the commission, for certification as a partner. Once certified, a partner may apply to the commission, in a form and manner determined by the commission, to receive grant funds from the fund established pursuant to this bill. The commission, upon approving a grant application submitted by a partner, is to sign a grant agreement with the partner, which is to permit the partner to execute the goals and policies pursuant to this bill only if matched by private sector funds on a minimum basis to be established by the commission.

In selecting and certifying a nonprofit organization as a partner, the commission is to give priority to a nonprofit organization with diverse leadership and with a location in a municipality that meets the criteria for State aid pursuant to State law.

If the commission is unable to certify a nonprofit organization as a partner for a certain regional focus the commission is to establish and incorporate an independent nonprofit organization to serve as a partner for that particular regional focus. In appointing the board for the nonprofit organization, the commission is to consider the ethnic, racial, and gender diversity of the community in which the partner is located.

Lastly, this bill directs partners to annually submit certain information to the commission and the commission to annually issue a report to the Governor and the Legislature describing the activities of the commission and each partner.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS finds that this bill may result in an indeterminate increase in annual State expenditures and an indirect increase in annual State revenues. The bill establishes a framework for the commission to partner with nonprofit organizations to provide support to emerging technology businesses in the State. The bill does not include an appropriation, but the commission is likely to incur additional administrative costs to, among other things, review grant applications received from nonprofit partners and provide oversight to ensure that the goals of the nonprofit partners, as established in the bill, are being achieved. Under the bill, the commission is to approve such grant applications only if matched by private sector funds on a minimum basis to be established by the commission. Moreover, if the commission is unable to certify a nonprofit organization as a partner, the commission is likely to incur costs to establish and incorporate an independent nonprofit organization to serve as a partner for one or more particular regional focus.

If future Legislative activity appropriates monies for the program, then this bill will require those monies to be expended to advance the development of emerging technology businesses and to create a supportive and collaborative innovation ecosystem across the State. Commission grants will be used to support the nonprofit partners in the achievement of their goals, which are to include, but not be limited to, directly providing early-stage and later-stage public and private capital for emerging technology businesses; providing training or technical assistance to help emerging technology businesses apply to federal programs; coordinating marketing efforts concerning existing State and local financial and material resources for emerging technology businesses; and acting as regional facilitators and managers for interactions among the commission, emerging technology businesses, economic development organizations, the corporate community, private and public institutions of higher education, research institutions, government, organized labor and other interests.

To the extent that this support is effective, business growth will accelerate, and the ecosystem created will result in greater retention of these business types within the State. Both effects are likely to increase State revenues realized through taxes on the growth in business activity, notably sales and use taxes, income taxes, and corporation business taxes.

A determination of the magnitude of revenue gains cannot be known at this time, nor whether it will exceed the amount of any future appropriations made to the commission for the program's purposes. Future decisions by the commission about how to structure and administer the program and the amount of future appropriations that are not currently knowable will determine the effectiveness of the program and the amount of revenue likely to be realized.

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.).