

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 3959

with committee amendments

STATE OF NEW JERSEY

DATED: MAY 4, 2020

The Assembly Appropriations Committee reports favorably and with committee amendments Assembly Bill No. 3959.

As amended and reported, this bill, establishes the “New Jersey Hospitality Small Business Emergency Loan Program” (loan program) and requires the New Jersey Economic Development Authority (EDA) to offer loans, under an existing small business loan program administered by the EDA, to a “qualified hospitality business.” Under the bill, a “qualified hospitality business” is defined as a small hospitality industry-related business (hospitality business), as determined by the EDA using the latest four-digit North American Industry Classification System of codes, including, but not limited to, code number 3121 (Beverage Manufacturing) and code number 7223 (Special Food Services), that, as of the effective date of the bill, has been in operation for more than six months and, for that prior year, had annual sales revenue below \$2 million if in operation for more than 12 months, or had annual sales revenue below \$1 million if in operation for less than 12 months.

Under the loan program, an applicant is to provide to the EDA: 1) proof that the applicant has been in operation and generating revenue for at least six months, 2) an income statement showing the applicant had no more than \$2 million in annual sales revenue if in operation for more than 12 months, or had no more than \$1 million in annual sales revenue if in operation for less than 12 months, and 3) bills for which payment is sought, including proof of payments, or for a hospitality business in operation less than 12 months, a letter to the entity for which the money is due, the applicant has been current for 100 percent of payments during the time the hospitality business has been in operation and not past due in the month prior to the current month for which the hospitality business is applying for a loan under the loan program.

Loans made by the EDA through the loan program may only be applied to cover immediate, unavoidable expenses throughout the duration of the Coronavirus emergency declared under Executive Order No. 103 of 2020, other than payroll costs as determined by the EDA. Loans to a hospitality business are to be of an amount not to exceed \$10,000 per month, be interest free, and have a 10-year term

with payments deferred for nine months from the date of the beginning of the loan agreement. The bill requires the EDA to make available no less than a total of \$5 million for the purpose of providing loans to hospitality businesses under the loan program.

The bill allows the EDA to consult with the Division of Alcoholic Beverage Control in the Department of Law and Public Safety concerning EDA rules and regulations applicable to loans made to hospitality businesses that have been issued a license or permit to sell alcoholic beverages.

COMMITTEE AMENDMENTS:

The committee amended the bill to:

- 1) remove a \$5 million General Fund appropriation to the EDA;
- 2) require the EDA to make available no less than a total of \$5 million for the purpose of providing loans to qualified hospitality businesses under the loan program;
- 3) change one of the eligibility requirements of a hospitality business to provide that a hospitality business is to have had, for that prior year, annual sales revenue below \$2 million if in operation for more than 12 months, or below \$1 million, if in operation for less than 12 months;
- 4) include in the definition of a hospitality business the North American Industry Classification System code number 3121 (Beverage Manufacturing and code number 7223 (Special Food Services); and
- 5) make grammatical corrections.

FISCAL IMPACT:

The Office of Legislative Services finds that the bill will result in an indeterminate increase in State costs, which may be offset by an indeterminate increase in State and local revenues. The bill requires the Economic Development Authority (EDA) to make available no less than a total of \$5 million for the purpose of providing loans to qualified hospitality businesses under an existing small business loan program, but provides no source of funding for the loans, making it unclear what source of funding the EDA would use to cover the cost of the program. To the extent that the EDA is able to identify funding or future funding is appropriated for the program, the cost of this bill will be \$5 million for the program in addition to any costs to develop rules and regulations, as well as administration costs to issue loans, review credit applications, and service the loans.

Assuming that money is available to run the program, the State would be likely to realize up to \$5 million in eventual direct revenue from the repayment of these loans as well as any fees attached to the loans, if applicable. This amount will be reduced by any defaults by borrowers.

State and local governments are also in a position to realize additional tax revenue from hospitality businesses that borrow under this program, to the extent that these loans allow a business that would have otherwise failed due to economic impacts from the coronavirus to continue operations after coronavirus social distancing restrictions are lifted. The taxes paid by these businesses will represent indirect revenues that State and local governments would not have realized if not for the loan assistance provided.