

LEGISLATIVE FISCAL ESTIMATE
SENATE, No. 2769
STATE OF NEW JERSEY
219th LEGISLATURE

DATED: FEBRUARY 3, 2021

SUMMARY

Synopsis: Establishes “Minority Business Development Program” in EDA; appropriates \$50 million to EDA from federal funds.

Type of Impact: Increased General Fund expenditure.

Agencies Affected: New Jersey Economic Development Authority.

Office of Legislative Services Estimate

Fiscal Impact	<u>Single Appropriation</u>
State Cost Increase	\$50 million

- The Office of Legislative Services (OLS) finds that the bill will have a direct cost of \$50 million appropriated from General Fund revenues received through the federal Coronavirus Relief Fund. If those federal funds have been fully exhausted, there would be no funding available to fulfill the appropriation and requirements of the bill, and as such the bill would have no fiscal impact.
- The technical assistance and grants to be provided under the bill are intended to increase the capacity of an underserved portion of the State business community. To the extent that the intentions of the bill are successful, it would be expected that minority businesses that receive assistance will grow and become more stable as a result of the program. This could result in additional employment as well as additional resultant indirect income, business, and sales tax revenues to the State of an indeterminate amount.

BILL DESCRIPTION

This bill requires the New Jersey Economic Development Authority (EDA) to establish and maintain a program to be known as the Minority Business Development Program to provide grant funding, other financial assistance, and technical assistance services to foster the development of minority businesses. Under the bill, the EDA is to enter into an agreement with a federally-designated community development financial institution concerning the financial institution’s provision of grant funding, other financial assistance, and technical assistance services to foster

the development or promotion of minority businesses. The grant funding, other financial assistance, and technical assistance to a minority business is to focus on improving a minority business's financial presentation, operational efficiency, and profitability.

The EDA is to establish and maintain the Minority Business Development Fund to provide grant funding, other financial assistance, and technical assistance to a minority business that participates in the program, to provide grant funding to a financial institution that provides a minority business participating in the program with grant funding, other financial assistance and technical assistance, and to administer the program. The development fund is to be credited with \$50,000,000 from an appropriation made to the authority. The development fund may be credited with moneys made available by the EDA for the purpose of the development fund and moneys received by the authority from any other public or private donations.

In administering the program, the EDA is to establish:

- 1) procedures and timelines for applications for the program;
- 2) criteria for determining grant funding amounts to be disbursed from the development fund to a minority business and financial institution;
- 3) reporting requirements for minority businesses and financial institutions accepted into the program and receive grant funding from the development fund; and
- 4) any other policies deemed necessary by the EDA for the administration of the program and the development fund.

A minority business and financial institution receiving grant funding under the program is to report to the EDA every six months while the recipient participates in the program detailing how the recipient used grant funding, other financial assistance, or technical assistance, and any other information the EDA requires.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS finds that the bill will have a direct cost of \$50 million appropriated from General Fund revenues received through the federal Coronavirus Relief Fund. If federal Coronavirus Relief Fund allocations have been fully committed at the time that the bill is enacted, there would be no funding available to fulfill the appropriation and requirements of the bill, and as such the bill would have no fiscal impact.

The technical assistance and grants to be provided under the bill are intended to increase the capacity of an underserved portion of the State business community. To the extent that the intentions of the bill are successful, minority businesses that receive assistance will have better access to credit, receive grant funding, and business development opportunities that will allow these companies to grow, and better withstand periods of general economic uncertainty.

Companies that succeed under the program will likely have higher levels of employment, and increased sales and profitability. The growth realized by these companies that is attributable to the program will generate fiscal benefits to the State. Fiscal benefits from additional employment and business growth include increases to State income, business, and sales tax revenues of an indeterminate amount. It cannot be known at this time how successful the program will be and

how these indirect benefits compare with the cost of the initial \$50 million appropriation to create the program.

Section: Authorities, Utilities, Transportation and Communications
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Assistant Legislative Budget and Finance Officer

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.).