

LEGISLATIVE FISCAL ESTIMATE
SENATE, No. 2770
STATE OF NEW JERSEY
219th LEGISLATURE

DATED: FEBRUARY 19, 2021

SUMMARY

Synopsis: Establishes position of Minority Depository Institution Coordinator in EDA.

Type of Impact: Increased annual State General Fund expenditure.

Agencies Affected: New Jersey Economic Development Authority.

Office of Legislative Services Estimate

Fiscal Impact	<u>Annual</u>
State Cost Increase	\$100,000 to \$300,000

- The Office of Legislative Services (OLS) finds that the bill will result in an increase in State costs of \$100,000 to \$300,000 per year, primarily attributable to the hiring of a Minority Depository Institution Coordinator (MDIC) and supplying that individual with office space and materials necessary to effectively perform their job. Uncertainty about the likely salary for the position and any needs beyond a computer and basic office equipment contribute to the range of possible cost impacts, as well as a lack of information about existing Economic Development Authority (EDA) staff initiatives that may permit a reallocation of existing staff time and resources to establish the MDIC, rather than a new outside hire that would increase overall full time headcount.
- The lower end annual employment cost of the new MDIC would likely be \$100,000 to \$200,000 which includes fringe costs of 50-60 percent on top of base salary. Minor up-front costs would include \$3,000 for a computer and miscellaneous office supplies and equipment. The EDA already has a building that likely has sufficient office space to accommodate the new employee.
- It is unknown what additional costs the EDA might realize as a result of the efforts of the MDIC to reduce administrative barriers to its programs. It is possible that the EDA could realize up to \$100,000 in annual costs to revise program guidelines or perform new outreach to targeted program participants.

BILL DESCRIPTION

This bill establishes the position of Minority Depository Institution Coordinator within the EDA. The bill requires the EDA board to collaborate with the Chief Diversity Officer in the Division of Purchase and Property in the State Department of the Treasury, to create an application process and then select an individual for the position. The bill requires the coordinator to collaborate with the Chief Diversity Officer and the board to identify and reduce any administrative barriers that limit participation by minority depository institutions in EDA loan and bonding programs.

The bill requires the authority to submit a report to the Legislature 120 days after enactment outlining the steps taken by the MDIC to identify and reduce any administrative barriers to minority depository institution participation in EDA loan and bonding programs.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS finds that the bill will result in an increase in State costs of \$100,000 to \$300,000 per year, primarily attributable to the hiring of a Minority Depository Institution Coordinator and supplying that individual with office space and materials necessary to effectively perform their job.

The annual employment cost for the new MDIC would likely be \$100,000 to \$200,000 for a new staff member, which includes base salary as well as 50-60 percent in fringe costs primarily for insurance benefits and participation in the State pension system. This position does not exist yet, so the range is in place to accommodate for the range of possible salaries. The MDIC will likely require a computer and office supplies and equipment that will add at least \$3,000 in initial costs, which will mostly likely be subsumed by the range of larger annual costs. The EDA already has a building that likely has sufficient office space to accommodate the new employee, so there are no expected costs for office space purchase or rental.

The MDIC will be working to reduce administrative barriers for certain EDA programs. The impact of this work will likely entail the EDA making certain changes to its existing programs and possibly performing additional outreach to the groups that benefit from the work of the MDIC. These changes will likely entail some staff time cost if programs are changed and possible marketing material costs for outreach. The magnitude and frequency of costs cannot be known until the bill is enacted, but are assumed to be in the range of \$10,000 to \$100,000 annually given that it is the ongoing mission of an EDA employee and there are approximately 25 minority depository institutions in the State, according to recent National Credit Union Administration data.

While these costs generally assume the hiring of a new MDIC from outside of the EDA, it is possible that existing staff work in this area may allow for the EDA to establish this position with an existing staff member. If that is the case, it is also possible that the work of some existing EDA staff overlaps partially with the mission of the MDIC. This suggests that it is possible that some

of the costs represented above may be filled in part with a reallocation of existing resources by changing the roles of some other employees and the dedication of their time, reducing the annual fiscal impact. If that is the case, the potential annual state costs realized could be reduced to the lower end of the estimate.

Section: Authorities, Utilities, Transportation and Communications

*Analyst: Patrick Brennan
Principal Fiscal Analyst*

*Approved: Thomas Koenig
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.).