

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

SENATE, No. 4210

**STATE OF NEW JERSEY
219th LEGISLATURE**

DATED: DECEMBER 22, 2021

SUMMARY

- Synopsis:** Requires EDA to establish loan program to assist certain businesses with funding to provide reasonable accommodations for employees with disabilities.
- Type of Impact:** Annual increases in State revenues and expenditures.
- Agencies Affected:** New Jersey Economic Development Authority.

Office of Legislative Services Estimate

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

- The Office of Legislative Services (OLS) finds that the New Jersey Economic Development Authority (EDA) will incur indeterminate annual increased costs to establish and administer the loan program. The magnitude of the annual cost increases will depend upon the number of loan applications received each year, amounts requested by qualified small to medium-sized businesses, and the source of the loan program funding, which cannot be known at this point.
- The EDA will realize indeterminate annual increased revenues in the form of loan repayments from qualified businesses that are issued the low-interest loans, including any fees or other borrowing costs imposed pursuant to the terms of the loan agreements. The amount of the revenue increase will depend upon the interest rates and fees charged to borrowers, the total amount of loans issued, and the eventual loan default rate. None of this information can be projected at this point because the EDA is given discretion to design the loan program as it deems appropriate, with the only significant financial conditions being that the loans bear interest at lower rates and with more flexible repayment terms than are available from private lenders through conventional business loans.

BILL DESCRIPTION

The bill requires the EDA to establish and administer a low-interest loan program to provide loans to qualified businesses, with the loan funds being used to pay for the cost of reasonable workplace accommodations for employees with disabilities.

The EDA is to review completed applications and approve those applications that meet the requirements provided in the bill.

The bill requires that a loan to a qualified business:

- 1) be made pursuant to a loan agreement with the EDA;
- 2) bear interest at lower rates and with more flexible repayment terms than are available to businesses from private lenders through conventional business loans; and
- 3) contain other terms and conditions considered appropriate by the authority.

The EDA is to require a qualified business that receives a loan to submit an annual audited financial statement to the authority in order to ensure the continued viability of the qualified business.

The authority is to publicly advertise the availability of the loans to qualified businesses and other provisions of the loan program in a manner determined by the EDA.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS finds that the EDA will incur indeterminate annual increased costs to establish and administer the loan program. The administrative costs will include the cost of setting loan terms and conditions, designing loan applications, advertising the loan program to qualified businesses, processing loan applications, reviewing applicant credit, making loan determinations, and then administering the loans themselves.

The EDA will realize indeterminate annual increased revenues in the form of loan repayments from qualified businesses that borrow from the program, including any fees or other borrowing costs imposed pursuant to the terms of the loan agreements. The bill gives the EDA discretion to determine appropriate low-interest loan rates and terms, so it is not clear how many fees and other charges the EDA will impose on borrowers. Although the bill requires that the loans bear lower interest rates and more flexible terms than are available to businesses from private lenders through conventional business loans, if the charges are too great and qualified businesses have access to cheaper funding alternatives through the other EDA or federal programs or subsidies, then it is unlikely that many qualified businesses will participate in the loan program. If the subsidies are too great, then the EDA will be at risk of realizing losses on the loan program. Although it is possible that the EDA will realize some net cost under the program, the magnitude of net State costs or revenues are indeterminate due to a lack of foreknowledge about how the EDA will structure the loan program and the eventual size of the program.

Section: Authorities, Utilities, Transportation and Communications

*Analyst: Sheree D. Henderson
Lead Counsel*

*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.).