

ASSEMBLY BILL NO. 4790
(First Reprint)

To the General Assembly:

Pursuant to Article V, Section I, Paragraph 14 of the New Jersey Constitution, I herewith return Assembly Bill No. 4790 (First Reprint) without my approval.

This bill would establish the "New Jersey Non-Profit Loan Guarantee Pilot Program" (the "program") in the New Jersey Economic Development Authority ("EDA") to provide financial assistance, in the form of loan guarantees, to support the construction of new physical spaces by non-profit organizations that can generate income sufficient to repay the loan through box office sales, private donations, sponsorships, or other sources of revenue. Under the program, the EDA would enter into an agreement with a participating bank and a non-profit organization to guarantee a direct loan or revolving line of credit provided by the participating bank to the non-profit organization to finance the construction of new physical spaces. The bill provides that the source of funding for the program would be the Economic Recovery Fund ("ERF") and other moneys available from other business assistance programs administered by the EDA.

I commend the sponsors of this legislation for endeavoring to create new physical spaces for our State's residents to utilize, which will enhance New Jersey's attractiveness as a place to live, work, and visit. I am concerned, however, that the mechanism created by the bill will not effectively achieve the bill's noble purpose. A loan guarantee program, like the one contemplated by this legislation, would require the EDA to establish an applications and appeals process and develop robust underwriting criteria. Each project seeking a loan guarantee under the program would also need to win approval by the EDA Board. Since the bill would provide loan guarantees for construction projects, program participants would be subject to laws which require that all workers employed in the performance of a construction project, undertaken in connection with EDA financial assistance, be paid the prevailing wage rate.

Additionally, the fact that the bill utilizes the ERF as its funding source means applicants would need to demonstrate the economic feasibility of the project and a reasonable expectation of loan repayment, as those are statutory conditions on the use of ERF funds. These criteria are of course totally appropriate when the EDA is operating in its traditional role of providing economic assistance to for-profit businesses; but are not adaptable to a program intended to support non-profits, which may not be able to overcome the cost and administrative burdens that attach when the EDA administers a program like the one envisioned by this legislation.

While I am not opposed to the idea of establishing programs for, or otherwise providing funding to, non-profit organizations to create new physical spaces for our residents; the program established by this bill is unworkable in its current form. A more appropriate approach to providing non-profit organizations with financial assistance to support the construction of new physical spaces is through the annual budget process or administration of federal relief funds. I look forward to working collaboratively with legislative leadership so that we can fund our shared priorities in a coordinated manner that meets our obligations to the State of New Jersey and its residents now and in the future.

Accordingly, I herewith return Assembly Bill No. 4790 (First Reprint) without my approval.

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Respectfully,

/s/ Philip D. Murphy

Governor

Attest:

/s/ Parimal Garg

Chief Counsel to the Governor