

LEGISLATIVE FISCAL ESTIMATE
SENATE, No. 659
STATE OF NEW JERSEY
220th LEGISLATURE

DATED: JUNE 2, 2022

SUMMARY

- Synopsis:** “Manufacturing in Higher Education Act”; requires various State entities to promote manufacturing career pathways for students and provides assistance to manufacturing industry.
- Type of Impact:** Annual expenditure increases to the State General Fund; annual revenue increases for county colleges, four-year institutions of higher education, proprietary institutions, and county vocational schools.
- Agencies Affected:** Office of the Secretary of Higher Education; Department of State; New Jersey Economic Development Authority; New Jersey State Employment and Training Commission; County Colleges; Four-Year Institutions of Higher Education; Proprietary Institutions; County Vocational School Districts.

Office of Legislative Services Estimate

Fiscal Impact	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
State Cost Increase	\$12.3 million- \$17.3 million	At least \$10 million	At least \$10 million
County Colleges Revenue Increase	\$5 million	\$5 million	\$5 million
Four-Year Institutions of Higher Education Revenue Increase	\$1.25 million	\$1.25 million	\$1.25 million
Proprietary Institutions Revenue Increase	\$1.25 million	\$1.25 million	\$1.25 million
County Vocational School Districts Revenue Increase	\$2.5 million	\$2.5 million	\$2.5 million

- The Office of Legislative Services (OLS) determines that this bill will increase annual State expenditures across several State agencies in order to implement the various requirements of the bill that aim to promote manufacturing-oriented education and the manufacturing industry at-large. In total, the OLS estimates State costs of between \$12.3 million and \$17.3 million in the first year of implementation. State costs thereafter would be at least \$10 million due to the bill’s establishment of the Higher Education Manufacturing Grant Program.

- The bill requires that \$10 million be annually awarded under the Higher Education Manufacturing Grant Program to county colleges, four-year institutions of higher education, proprietary institutions, and county vocational school districts for the purposes of establishing or expanding programs in the manufacturing fields.
- The OLS finds that the State will bear one-time costs of between \$2 million and \$7 million to administer the New Jersey STEM Fellowship Program. This program would fund at least 20 fellowships to commercialize products in the STEM field.
- Several other measures in the bill aimed at the promotion of manufacturing in the State could result in indeterminate State expenditure increases, the magnitude of which will be dependent on resource allocation and implementation decisions of various agencies.

BILL DESCRIPTION

This bill requires various State entities to promote manufacturing career pathways for students and provides assistance to the manufacturing industry. The provisions of the bill include:

- requiring the Secretary of Higher Education, in consultation with the Department of Education, the Department of Labor and Workforce Development, the New Jersey Council of County Colleges, the New Jersey Council of County Vocational Schools, and representatives of the business community, to design a manufacturing career pathway to be offered through the county colleges and county vocational school districts;
- requiring the Secretary of Higher Education to establish the New Jersey STEM Entrepreneur Fellowship Program to fund 20 fellowships to support entrepreneurs in commercializing their products and developing a well-structured business;
- creating the Higher Education Manufacturing Grant Program under which \$10 million would be awarded to four-year institutions of higher education, proprietary institutions, and county vocational school districts for the purpose of establishing or expanding programs in the manufacturing fields;
- requiring the Department of Education, in consultation with the Secretary of Higher Education, the Business Action Center in the Department of State, the New Jersey Manufacturing Extension Program, and representatives of business and industry, to establish and maintain a State-recognized list of industry-recognized credentials in the advanced manufacturing field to assist in the development of educational programs;
- requiring the Secretary of State to work with State departments, agencies, boards, commissions, and authorities to direct resources, create incentives, and provide technological, financial, and workforce development opportunities for manufacturing businesses;
- permitting the New Jersey Economic Development Authority to designate a manufacturing and production business resource center; and
- establishing the New Jersey Advanced Manufacturing Council in the New Jersey State Employment and Training Commission.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS determines that this bill will increase annual State expenditures across several State agencies in order to implement the various requirements of the bill that aim to promote manufacturing-oriented education and the manufacturing industry at-large. While the OLS finds that the majority of estimated expenditures under the bill stem from the establishment of the Higher Education Manufacturing Grant Program and the New Jersey STEM Entrepreneur Fellowship Program, the State may experience other cost increases to administer and implement various other provisions of the bill.

Higher Education Manufacturing Grant Program

The OLS finds that annual expenditures for the Higher Education Manufacturing Grant Program would be \$10 million, as specified in the bill.

The \$10 million in expenditures required under the bill would result in a total annual revenue increase of \$5 million to the county colleges, which are required to receive 50 percent of program funding. County vocational school districts would annually receive \$2.5 million, as they are required to receive 25 percent of program funding. Finally, the bill requires that the remaining 25 percent, or \$2.5 million, of funding be awarded to four-year institutions of higher education and proprietary institutions. While the bill does not specify the distribution of funds to the four-year institutions of higher education and proprietary institutions, the OLS assumes that the two groups of institutions will each receive a total of \$1.25 million.

New Jersey STEM Entrepreneur Fellowship Program

The OLS finds that expenditures stemming from the implementation of the New Jersey STEM Entrepreneur Fellowship Program will total between \$2 million and \$7 million. Under the bill, the fellowships would be provided to individuals who have proven to the Secretary of Higher Education that they have an idea to create, advance, or develop a product in the STEM field. The bill stipulates that no less than 20 fellowships would be funded under the program and that the fellowships would be issued for three years each. For the purposes of this fiscal estimate, the OLS assumes the full costs of the program would be encumbered in the first year of the bill's implementation, even if fellowship awards will be paid out over three years.

For the purposes of estimating costs, the OLS assumed a per award amount of between \$100,000 and \$350,000. Multiplying the lower and upper bounds of this range by the minimum number of 20 fellowships results in estimated costs of between \$2 million and \$7 million.

The OLS notes that the \$350,000 upper range of the estimate is based on the parameters of the New Jersey Innovation Fellows Program, which is administered by the Economic Development Authority (EDA). Current law authorizes the EDA to award fellowship grants, through a competitive process, to teams of entrepreneurs who operate businesses in targeted industries within certain eligible municipalities. Generally, fellowship grants may not exceed \$350,000 per team and would be used as replacement income for entrepreneurs who leave the workforce to open and operate the business. The FY 2022 adjusted appropriation for this program is \$10 million.

The OLS opts to use \$100,000 as the per award lower bound estimate, which results in a \$2 million minimum cost estimate.

Other Potential State Costs

The State may experience other cost increases to administer and implement various other provisions of the bill. Three provisions in particular would present costs to the State.

First, the bill requires the Secretary of Higher Education, in consultation with the Department of Education, the Department of Labor and Workforce Development, the New Jersey Council of County Colleges, the New Jersey Council of County Vocational Schools, and representatives of the business community, to design a manufacturing career pathway to be offered through the county colleges and county vocational school districts. The crafting of this manufacturing career pathway is a function that would be new to the current scope of functions of the Office of the Secretary of Higher Education. To ensure compliance with this requirement, the OLS believes that the office would likely need to: 1) provide for overtime for current staff to develop the manufacturing career pathway; 2) hire new staff to design the pathway; or 3) enter into a contract with an outside entity to develop the pathway. The OLS surmises that designing the manufacturing career pathway would require resources of up to \$310,000, based on experiences in another State. Recurring costs stemming from this requirement are indeterminate as it is uncertain how often the Office of the Secretary of Higher Education would update the manufacturing career pathway.

The bill requires the Department of Education, in consultation with the Secretary of Higher Education, the Business Action Center in the Department of State, the New Jersey Manufacturing Extension Program, and representatives of business and industry, to establish and maintain a State-recognized list of industry-recognized credentials in the advanced manufacturing field. The commissioner is also required to identify courses of study for careers in emerging manufacturing industries. The OLS finds that staff in the Department of Education may need to dedicate additional time to fulfill these requirements of the bill. While those costs are indeterminate, the State fiscal impact would likely be marginal.

The bill requires the creation of the New Jersey Advanced Manufacturing Council within the New Jersey State Employment and Training Commission. Under the bill, the council would lead various initiatives aimed at promoting the advanced manufacturing industry, including convening and enabling private-public partnerships with institutions of higher education and businesses, implementing an advanced manufacturing initiative to facilitate collaboration across the State, and assisting private companies in scaling up production of new technologies. The bill enables the council to employ staff. Uncertain of the potential level of staffing needed to fulfill the council's duties under the bill, the OLS finds this provision of the bill to be indeterminate. However, assuming that the council employs five people at an average salary of \$75,000, then annual salary and fringe benefit costs would total slightly over \$575,000.

Under the bill, the Secretary of State is required to work with State departments, agencies, boards, commissions, and authorities to direct resources, create incentives, and provide technological, financial, and workforce development opportunities for manufacturing businesses. This requirement of the bill may result in annual State expenditures; however, costs associated with this provision are indeterminate as the nature of the resources, incentives, and opportunities that may be developed would likely be subject to implementation decisions made by the Secretary of State.

Lastly, the bill provides that the EDA may designate an institution of higher education or other entity as a manufacturing and production business resource center to provide services and assistance to manufacturing businesses to assist them to modernize, maximize their efficiency, and expand their production through the development and commercialization of innovative products. Potential staff costs to the EDA to review the qualifications of various entities to designate a manufacturing and production business resource center are indeterminate.

Section: Education

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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.).