

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 3344

with committee amendments

STATE OF NEW JERSEY

DATED: DECEMBER 5, 2022

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 3344, with committee amendments.

This bill, as amended, requires the New Jersey Economic Development Authority (“EDA”) to establish and maintain the New Jersey Non-Profit Loan Guarantee Pilot Program (“program”) and the New Jersey Non-Profit Loan Guarantee Fund (“fund”).

Under the bill, the authority is required, within six months of the effective date of the bill, to provide financial assistance in the form of loan guarantees to non-profit organizations to support the construction of new physical spaces that are capable of generating income sufficient to repay the loans.

Application Criteria

The bill requires the EDA to establish an application process. A non-profit organization that seeks a loan guarantee agreement under the program is required to submit an application to the EDA in a form and manner prescribed by the EDA. In addition to any other information that the EDA may deem appropriate, the application is required to request the non-profit organization to submit proof that the non-profit organization has:

- 1) been determined by the federal Internal Revenue Service to be a tax-exempt organization pursuant to federal law;
- 2) been in existence for 10 years prior to the effective date of the bill; and
- 3) received financial assistance from the State, including grants, loans, or any other form of assistance prior to the effective date of the bill.

The EDA may only approve the application if the EDA determines:

- 1) that the loan for which the application for a loan guarantee has been submitted is expected to result in the creation of 10 or more full-time jobs upon completion of construction of a new physical space financed under the provisions of the bill;

- 2) based on the projections by the non-profit organization, including the data and assumptions forming the basis thereof, of the profitability and financial stability over the term of the loan guarantee,

that the loan for which the application for a loan guarantee has been submitted will support the construction of new physical space that is capable of generating income sufficient to repay the loan through box office sales, private donations, sponsorships, or other sources of revenue; and

3) that the non-profit organization has a record of financial stability, good reputation, and credit worthiness.

Loan Guarantee Agreements

Under the bill, the EDA would enter into an agreement with a participating bank and a non-profit organization qualified pursuant to the bill to use the moneys from the fund to guarantee a direct loan or revolving line of credit provided by the participating bank to finance the construction of a new physical space by the qualified non-profit organization. Each loan guarantee agreement that the EDA enters into with a participating bank and non-profit organization will not exceed \$15 million per qualified applicant or a period of more than 20 years. The agreements are also required to provide for any other terms or conditions that the EDA and the participating banks determine as being necessary or desirable to effectuate the purpose of the program.

The EDA is also required to establish sufficient reserves and liquid reserves to provide a sufficient and actuarially sound basis for its pledges contained in any loan guarantee agreement entered into pursuant to the bill.

Loan Fund

The bill requires the fund to be credited with:

1) an amount from the Economic Recovery Fund that the EDA determines is necessary to effectively implement the program, within the limits of funding available from the Economic Recovery Fund;

2) any moneys received by the EDA from the repayment of the moneys in the guarantee fund used to provide loan guarantees pursuant to the bill and interest thereon; and

3) any other moneys of the EDA, including but not limited to, any moneys available from other business assistance programs administered by the EDA that are authorized and determined by the EDA to be deposited in the fund.

Report Requirements

Finally, within 24 months following the effective date of the bill, and on or before February 15 of each year thereafter in which a loan guarantee agreement entered into under the bill is in effect, the EDA is required to prepare a report on the program. The report may be issued separately, or in combination with any reports required by any law concerning financial assistance to non-profit organizations in New Jersey.

The report is required to include, but need not be limited to, a description of the demand for the program from qualified non-profits and participating banks, the efforts made by the EDA to promote the program, the total amount of loan guarantees approved by the EDA under the program, and an assessment of the effectiveness of the program in meeting the goals of the bill. The EDA is required to submit its report to the Governor and the Legislature, including any recommendations for legislation to improve the effectiveness of the program.

The committee amended the bill to remove a requirement that the EDA adopt rules and regulations necessary to implement the bill.

As amended and reported by the committee, Senate Bill No. 3344 (1R) is identical to Assembly Bill No. 4790 (1R), which was also reported by the committee on this date.

COMMITTEE AMENDMENTS:

The committee amended the bill to remove a requirement that the EDA adopt rules and regulations necessary to implement the bill.

FISCAL IMPACT:

The Office of Legislative Services (OLS) concludes that the bill would result in a marginal cost increase for the New Jersey Economic Development Authority (EDA) associated with the creation and administration of the New Jersey Non-Profit Loan Guarantee Pilot Program, as well as a potential increase in expenditures associated with the repayment of any loan for which the EDA guarantees and the borrower defaults.

To implement the program, the EDA is expected to incur a marginal increase in administrative expenses, which costs may result from the development of program guidelines, the review of application materials, the effectuation of loan guarantee agreements, and the submission of program reports. Because the EDA has recent experience administering similar programs, the OLS assumes that these expenses can be supported using existing staff and resources.

The bill requires the EDA to maintain such reserves as are necessary to secure the balance of any loan guarantees provided under the program. Depending on the total value of loan guarantees provided by the EDA, and the reserve balances deemed necessary to secure these guarantees, both of which may be determined by the EDA, the bill is expected to reduce the total monies that may be otherwise available for expenditure by the EDA.

In the event that an approved borrower defaults on a guaranteed loan, the EDA would also be expected to incur increased expenditures associated with the repayment of the outstanding balance of the guaranteed portion of the loan. Because the OLS is unable to predict the total value of all loan guarantees provided by the EDA, or the rate

at which borrowers will default on these loans, the OLS is unable to estimate the magnitude of this potential impact.

The OLS notes that the operation and administration of the program would be supported by such funding as the EDA deems necessary, from the Economic Recovery Fund, to effectively implement the program, as well as any other funds that the EDA may receive for the program. Consequently, the OLS is unable to predict the total amount of funding that the EDA will elect to make available for the program.