

# LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

## SENATE, No. 4023 STATE OF NEW JERSEY 220th LEGISLATURE

DATED: JULY 5, 2023

### SUMMARY

- Synopsis:** Revises various provisions of “New Jersey Economic Recovery Act of 2020,” including revisions to New Jersey Aspire Program.
- Type of Impact:** Increase in State expenditures; two-year extension of tax credit programs, but no additional State revenue loss.
- Agencies Affected:** New Jersey Economic Development Authority.

#### Office of Legislative Services Estimate

<b>Fiscal Impact</b>	<b><u>Through March 1, 2029</u></b>
<b>State Expenditure Increase</b>	Indeterminate
<b>State Revenue Impact</b>	Two-year extension of tax credit programs, but no additional State revenue loss

- The Office of Legislative Services (OLS) determines that this bill will result in some indeterminate expenditure increases for the New Jersey Economic Development Authority associated with the administrative costs of implementing certain changes to the New Jersey Aspire Program and the extension of various economic development programs established under the New Jersey Economic Recovery Act of 2020.
- The bill does not increase the total value of tax credits authorized under the Economic Recovery Act, which is capped at \$11.5 billion, or the total value of tax credits that may be annually awarded under the Aspire and Emerge programs, which is capped annually at \$1.1 billion over the first six years, not including transformative projects.
- Accordingly, the OLS concludes that the bill would not result in State revenue reductions. Instead, the two-year extension of these economic development programs is expected to prolong the period in which the State may experience revenue losses due to the claiming of tax credits otherwise authorized under the Economic Recovery Act.

## **BILL DESCRIPTION**

This bill provides various changes to the New Jersey Aspire Program, which is administered by the New Jersey Economic Development Authority and was enacted as part of the New Jersey Economic Recovery Act of 2020.

Under the Aspire Program, the authority awards tax credits to the developers of certain redevelopment projects that would be economically infeasible without such subsidies and that meet certain other requirements. In turn, these developers are required to comply with certain requirements concerning the development of these projects, including, but not limited to, the dedication of affordable housing in new residential projects. Under current law, the total tax credits awarded for any redevelopment project may not exceed certain statutory limitations. However, the authority may provide larger tax credit awards for “transformative projects,” which meet certain eligibility criteria and are also subject to statutory limitations on tax credit awards.

The bill revises other provisions of the New Jersey Economic Recovery Act of 2020, including extending the period in which other economic development programs, such as the Emerge Program, would continue to operate and authorizes the transfer of certain tax credits otherwise available for the Aspire Program and Emerge Program.

The Senate Budget and Appropriations Committee statement to this bill from June 27, 2023 includes a more detailed discussion of the provisions of the proposed legislation.

## **FISCAL ANALYSIS**

### ***EXECUTIVE BRANCH***

None received.

### ***OFFICE OF LEGISLATIVE SERVICES***

The OLS determines that this bill will result in some indeterminate expenditure increases for the authority associated with the administrative costs of implementing certain changes to the Aspire Program and the extension of various economic development programs established under the New Jersey Economic Recovery Act of 2020.

Current law authorizes the issuance of up to \$11.5 billion in tax credits over seven years for various economic development programs established under the Economic Recovery Act. Additionally, under current law, the total value of tax credits to be awarded under the Aspire Program and Emerge Program, not including transformative projects, may not exceed \$1.1 billion annually for the first six years of the programs, subject to certain carry-forward authorizations. The total value of tax credits to be awarded annually for transformative projects under the Aspire program may not exceed an aggregate balance of \$2.5 billion.

This bill increases the duration period of the economic development programs established under the Economic Recovery Act from seven years to nine years and allows the transfer of certain unused credits from the Aspire Program and Emerge Program for transformative projects under the Aspire Program.

Additionally, the bill provides for numerous changes to the Aspire Program, including increasing the amount of tax credits that may be awarded to redevelopment projects and transformative projects, requiring the authority to establish new affordability controls for

residential redevelopment projects, and revising certain other requirements and conditions for the receipt of tax credits under the Aspire Program.

As a result, the OLS anticipates that the authority will incur some increases in administrative expenses associated with the implementation of certain changes to the Aspire Program, including the development of new affordability controls, and the review and approval of applications for various economic development programs during the two-year extension period.

The bill does not increase the total value of tax credits authorized under the Economic Recovery Act, which is capped at \$11.5 billion, or the total value of tax credits that may be annually awarded under the Aspire and Emerge programs, which is capped annually at \$1.1 billion over the first six years of the program, not including transformative projects. Accordingly, the OLS concludes that the bill would not result in State revenue reductions associated with the issuance of tax credits through the various economic development programs established under the Economic Recovery Act, including the Aspire Program. Instead, the two-year extension of these economic development programs is expected to prolong the period in which the State may experience revenue losses due to the claiming of tax credits otherwise authorized under the Economic Recovery Act.

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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.).