

FLOOR AMENDMENT STATEMENT: No

LEGISLATIVE FISCAL ESTIMATE: Yes

VETO MESSAGE: No

GOVERNOR'S PRESS RELEASE ON SIGNING: No

FOLLOWING WERE PRINTED:

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REPORTS: No

HEARINGS: No

NEWSPAPER ARTICLES: Yes

"Women- and minority-owned businesses get positive boost with new law," NJBIZ, January 9, 2018

RH/CL

P.L.2017, CHAPTER 261, *approved January 8, 2018*
Assembly, No. 1451

1 **AN ACT** concerning the financing of certain businesses located in
2 areas designated as “regional centers” or as “Planning Area 1” in
3 the State Development and Redevelopment Plan and
4 supplementing P.L.1974, c.80 (C.34:1B-1 et seq.).
5

6 **BE IT ENACTED** by the Senate and General Assembly of the State
7 of New Jersey:
8

9 1. As used in P.L. , c. (C.) (pending before the
10 Legislature as this bill):

11 “Authority” means the New Jersey Economic Development
12 Authority established by section 4 of P.L.1974, c.80 (C.34:1B-4).

13 “Qualified business” means a business that qualifies, under
14 criteria established by the authority, as a small, woman-owned, or
15 minority-owned New Jersey-based business, manufacturer,
16 redeveloper, or non-profit organization.

17 “Regional center” means an area designated as a “regional
18 center” in the State Development and Redevelopment Plan adopted
19 pursuant to the “State Planning Act,” P.L.1985, c.398 (C.52:18A-
20 196 et al.).

21 “Urban center” means an area designated as an “urban center” in
22 the State Development and Redevelopment Plan adopted pursuant
23 to the “State Planning Act,” P.L.1985, c.398 (C.52:18A-196 et al.).
24

25 2. In the case of any undertaking by which the authority makes
26 direct loans to qualified businesses located in an urban center that
27 are unable to obtain funding from conventional sources,
28 notwithstanding the assistance of an authority guarantee, the
29 authority shall include within such an undertaking qualified
30 businesses located in a regional center or in an area designated
31 pursuant to P.L.1985, c.398 (C.52:18A-196 et seq.) as Planning
32 Area 1 (Metropolitan).
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34 3. This act shall take effect on the 60th day after the date of
35 enactment, but the New Jersey Economic Development Authority
36 may take such anticipatory administrative action in advance thereof
37 as shall be necessary for the implementation of this act.

A1451

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Permits small, women-owned, or minority-owned businesses

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located in designated regional centers or planning areas to qualify

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for loans from EDA as if located in designated urban center.

ASSEMBLY, No. 1451

STATE OF NEW JERSEY 217th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2016 SESSION

Sponsored by:

Assemblywoman PAMELA R. LAMPITT

District 6 (Burlington and Camden)

Assemblywoman GABRIELA M. MOSQUERA

District 4 (Camden and Gloucester)

Assemblyman JERRY GREEN

District 22 (Middlesex, Somerset and Union)

Co-Sponsored by:

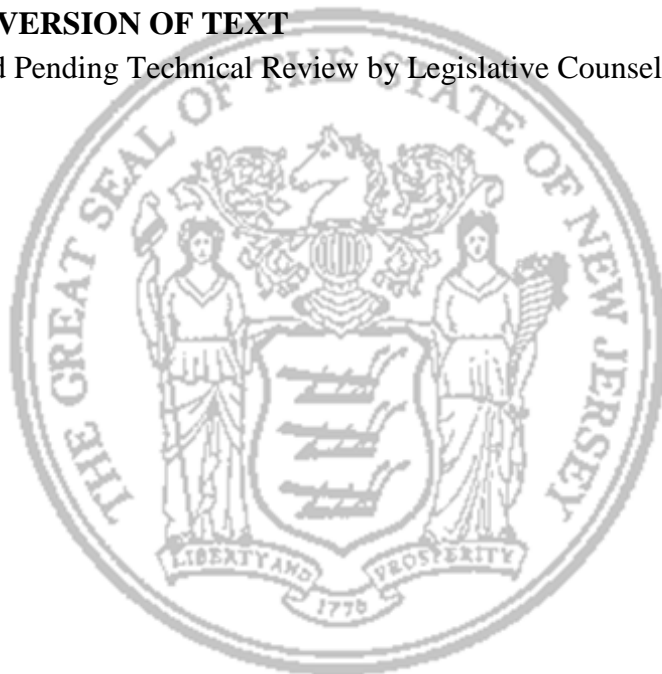
Assemblyman Johnson

SYNOPSIS

Permits small, women-owned, or minority-owned businesses located in designated regional centers or planning areas to qualify for loans from EDA as if located in designated urban center.

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel.



1 AN ACT concerning the financing of certain businesses located in
2 areas designated as “regional centers” or as “Planning Area 1” in
3 the State Development and Redevelopment Plan and
4 supplementing P.L.1974, c.80 (C.34:1B-1 et seq.).
5

6 **BE IT ENACTED** by the Senate and General Assembly of the State
7 of New Jersey:
8

9 1. As used in P.L. , c. (C.) (pending before the
10 Legislature as this bill):

11 “Authority” means the New Jersey Economic Development
12 Authority established by section 4 of P.L.1974, c.80 (C.34:1B-4).

13 “Qualified business” means a business that qualifies, under
14 criteria established by the authority, as a small, woman-owned or
15 minority-owned New Jersey-based business, manufacturer,
16 redeveloper, or non-profit organization.

17 “Regional center” means an area designated as a “regional
18 center” in the State Development and Redevelopment Plan adopted
19 pursuant to the “State Planning Act,” P.L.1985, c.398 (C.52:18A-
20 196 et al.).

21 “Urban center” means an area designated as an “urban center” in
22 the State Development and Redevelopment Plan adopted pursuant
23 to the “State Planning Act,” P.L.1985, c.398 (C.52:18A-196 et al.).
24

25 2. In the case of any undertaking by which the authority makes
26 direct loans to qualified businesses located in an urban center that
27 are unable to obtain funding from conventional sources,
28 notwithstanding the assistance of an authority guarantee, the
29 authority shall include within such an undertaking qualified
30 businesses located in a regional center or in an area designated
31 pursuant to P.L.1985, c.398 (C.52:18A-196 et seq.) as Planning
32 Area 1 (Metropolitan).
33

34 3. This act shall take effect on the 60th day after the date of
35 enactment, but the New Jersey Economic Development Authority
36 may take such anticipatory administrative action in advance thereof
37 as shall be necessary for the implementation of this act.
38
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40 STATEMENT
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42 This bill requires that in the case of any undertaking by which
43 the New Jersey Economic Development Authority (EDA) makes
44 direct loans to qualified businesses located in an area designated as
45 being an “urban center” in the “State Development and
46 Redevelopment Plan,” the EDA is to include qualified businesses
47 located in areas designated in the plan as being a “regional center”
48 or metropolitan “planning area.” Accordingly, qualified businesses

A1451 LAMPITT, MOSQUERA

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1 in regional centers or metropolitan planning areas would be
2 permitted to receive direct loans under a program by the EDA
3 entitled the “Urban Plus Program.”

4 A “qualified business” is defined in the bill as a business that is
5 established by the EDA as a small, woman-owned, or minority-
6 owned New Jersey-based business, manufacturer, redeveloper, or
7 non-profit organization that is unable to obtain funding from
8 conventional sources, notwithstanding the assistance of an EDA
9 guarantee.

ASSEMBLY COMMERCE AND ECONOMIC DEVELOPMENT
COMMITTEE

STATEMENT TO

ASSEMBLY, No. 1451

STATE OF NEW JERSEY

DATED: FEBRUARY 22, 2016

The Assembly Commerce and Economic Development Committee reports favorably Assembly Bill No. 1451.

This bill would extend direct loans to certain small, woman-owned, or minority-owned New Jersey-based businesses located in designated regional centers and planning areas. Under the bill, if the New Jersey Economic Development Authority (EDA) makes direct loans to qualified businesses located in an area designated as an “urban center” in the “State Development and Redevelopment Plan,” then the EDA must provide direct loans to qualified businesses located in areas designated as a “regional center” or metropolitan “planning area” in the plan.

The bill defines a “qualified business” as a business that qualifies, under criteria established by the EDA, as a small, woman-owned, or minority-owned New Jersey-based business, manufacturer, redeveloper, or non-profit organization. To qualify for direct loans from the EDA, a qualified business must be unable to obtain funding from conventional sources, notwithstanding the assistance of an EDA guarantee.

This bill was pre-filed for introduction in the 2016-2017 session pending technical review. As reported, the bill includes changes required by technical review, which has been performed.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 1451

STATE OF NEW JERSEY

DATED: APRIL 4, 2016

The Assembly Appropriations Committee reports favorably on Assembly Bill No. 1451.

This bill extends direct loans to certain small, woman-owned, or minority-owned New Jersey-based businesses located in designated regional centers and planning areas.

The bill provides that if the New Jersey Economic Development Authority (EDA) makes direct loans to qualified businesses located in an area designated as an “urban center” in the “State Development and Redevelopment Plan,” then the EDA must provide direct loans to qualified businesses located in areas designated in the plan as a “regional center” or metropolitan “planning area.”

The bill defines “qualified business” as a business that qualifies, under criteria established by the EDA, as a small, woman-owned, or minority-owned New Jersey-based business, manufacturer, redeveloper, or non-profit organization. To qualify for direct loans from the EDA, a qualified business must be unable to obtain funding from conventional sources, notwithstanding the assistance of an EDA guarantee.

FISCAL IMPACT:

The Office of Legislative Services finds the magnitude of costs to the EDA to issue additional loans is indeterminate and will be based on the amount of revenue that will be realized if loans are repaid by the borrowers in full, less any loan amount that is defaulted on by borrowers.

Additional businesses will be eligible for EDA loans at below-market rate interest. This will likely result in increased lending activity for the EDA. By issuing low interest rate loans, the EDA is likely to realize little if any profit from its lending activity, even if a loan is paid in full by the borrower. The interest paid by the borrower is likely to be comparable to the amount of interest paid by the EDA to access the capital used to issue the loan. The EDA imposes fees on applicants that allow the EDA to cover administrative costs related to reviewing the application and issuing the loan itself.

It is likely that the magnitude of costs will be minimal because the bill expands an existing EDA loan program, so the EDA should

already have experience lending to the targeted businesses, allowing the EDA to adjust its lending standards and interest rates as necessary to minimize potential losses from defaults.

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 1451

STATE OF NEW JERSEY

DATED: DECEMBER 4, 2017

The Senate Budget and Appropriations Committee reports favorably Assembly Bill No. 1451.

This bill requires the New Jersey Economic Development Authority (EDA) to make direct loans to certain small, woman-owned, or minority-owned New Jersey-based businesses located in designated regional centers and planning areas. The bill provides that, if the EDA makes direct loans under an EDA program to qualified businesses located in an area designated as an “urban center” in the “State Development and Redevelopment Plan,” then the EDA is to also provide direct loans to qualified businesses located in areas designated in the plan as a “regional center” or “Planning Area 1 (Metropolitan).”

The bill defines “qualified business” as a business that qualifies, under criteria established by the EDA, as a small, woman-owned, or minority-owned New Jersey-based business, manufacturer, redeveloper, or non-profit organization. To qualify for direct loans from the EDA, a qualified business must be unable to obtain funding from conventional sources, notwithstanding the assistance of an EDA guarantee.

As reported, this bill is identical to Senate Bill No. 1030, as also reported by the committee.

FISCAL IMPACT:

The Office of Legislative Services (OLS) finds the magnitude of costs to the EDA to issue additional loans under the bill is indeterminate and will be based on the amount of revenue that will be realized if loans are repaid by the borrowers in full, less any loan amounts that are in default.

Additional small, women-owned, and minority-owned (SWM) businesses will be eligible for EDA loans at below-market rate interest. This eligibility likely will result in increased EDA lending activity. By issuing low interest loans, the EDA is likely to realize little, if any, profit from its lending activity, even if a loan is paid in full by the borrower. The interest paid by the borrower is likely to be comparable to the amount of interest paid by the EDA to access the capital used to issue the loan. The EDA imposes fees on applicants that allow the EDA to cover administrative costs related to reviewing the application and issuing the loan itself.

It is likely that the magnitude of these costs will be minimal because the bill expands an existing EDA loan program, so the EDA will likely already have experience lending to the targeted SWM businesses, allowing the EDA to adjust its lending standards and interest rates as necessary to minimize potential losses from defaults.

LEGISLATIVE FISCAL ESTIMATE
ASSEMBLY, No. 1451
STATE OF NEW JERSEY
217th LEGISLATURE

DATED: APRIL 7, 2016

SUMMARY

Synopsis: Permits small, women-owned, or minority-owned businesses located in designated regional centers or planning areas to qualify for loans from EDA as if located in designated urban center.

Type of Impact: Increased State Cost

Agencies Affected: New Jersey Economic Development Authority (EDA)

Office of Legislative Services Estimate

Fiscal Impact	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
State Cost	Indeterminate – See comments below		

- The Office of Legislative Services finds the magnitude of costs to the New Jersey Economic Development Authority (EDA) to issue additional loans is indeterminate and will be based on the amount of revenue that will be realized if loans are repaid by the borrowers in full, less any loan amount that is defaulted on by borrowers.
- Additional businesses will be eligible for EDA loans at below-market rate interest. This will likely result in increased lending activity for the EDA. By issuing low interest loans, the EDA is likely to realize little if any profit from its lending activity, even if a loan is paid in full by the borrower. The interest paid by the borrower is likely to be comparable to the amount of interest paid by the EDA to access the capital used to issue the loan. The EDA imposes fees on applicants that allow the EDA to cover administrative costs related to reviewing the application and issuing the loan itself.
- It is likely that the magnitude of costs will be minimal because the bill expands an existing EDA loan program, so the EDA should already have experience lending to the targeted businesses, allowing the EDA to adjust its lending standards and interest rates as necessary to minimize potential losses from defaults.

BILL DESCRIPTION

Assembly Bill No. 1451 of 2016 extends eligibility for certain businesses located in a “regional center” or metropolitan “planning area” to receive loans that were previously limited to

certain businesses in an “urban center” or “State Development and Redevelopment Plan.” The bill applies to EDA direct loans to a business that is established as a small, woman-owned, or minority-owned New Jersey-based business, manufacturer, redeveloper, or non-profit organization that is unable to obtain funding from conventional sources, notwithstanding the assistance of an EDA guarantee located in the aforementioned areas. Accordingly, those qualified businesses in regional centers or metropolitan planning areas would be permitted to receive direct loans under a program by the EDA entitled the “Urban Plus Program.”

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The Office of Legislative Services finds the bill to have an indeterminate State cost. The bill will make additional businesses eligible to apply for loans under the Urban Plus Program, which will likely result in an increase in the number of applications and loans issued under the program. This program offers loans at below-market rate interest. By reducing the rate of interest charged, the EDA is likely to realize little to no profit from the loans it issues. The interest rate that it does charge is likely to be comparable to the amount of interest that the EDA will have to pay on funds that it will borrow to finance the loans that it issues. This effectively allows the EDA to take advantage of the fact that it can borrow at lower interest rates than most small businesses and pass those savings along to the businesses that it issues loans. Any costs faced by the EDA for loan application processing and loan administration is charged to the applicant as a fee during the loan application process.

It is not clear how much, if any, additional interest the EDA charges above its own cost of borrowing. It cannot be known at this time how many additional loans will be issued by the EDA as a result of this bill or for what amount. It also cannot be known what balance of loans issued by the EDA will be defaulted on by borrowers. The EDA has discretion over the standards that it uses to determine whether an applicant is an acceptable credit risk, and the EDA can alter the interest rate as necessary if its own costs increase or decrease. This control over the interest rate and whether to lend to an applicant should provide the EDA with the ability to mitigate the risk of borrowers defaulting.

The amount of issued loans that result in default will add to the total cost of the bill. This cost will be offset by any profits that the EDA realizes from interest received from borrowers that pay their loans in full, less any costs to the EDA for capital to issue the loans.

Section: Authorities, Utilities, Transportation and Communications

*Analyst: Patrick Brennan
Senior Fiscal Analyst*

*Approved: Frank W. Haines III
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.).

SENATE, No. 1030

STATE OF NEW JERSEY 217th LEGISLATURE

INTRODUCED FEBRUARY 8, 2016

Sponsored by:

Senator LORETTA WEINBERG

District 37 (Bergen)

Senator NILSA CRUZ-PEREZ

District 5 (Camden and Gloucester)

Co-Sponsored by:

Senators A.R.Bucco, Ruiz and Stack

SYNOPSIS

Permits small, women-owned, or minority-owned businesses located in designated regional centers or certain planning areas to qualify for loans from EDA as if located in designated urban center.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 12/19/2017)

1 AN ACT concerning the financing of certain businesses located in
2 areas designated as “regional centers” or as "Planning Area 1
3 (Metropolitan)" in the State Development and Redevelopment
4 Plan and supplementing P.L.1974, c.80 (C.34:1B-1 et seq.).
5

6 **BE IT ENACTED** by the Senate and General Assembly of the State
7 of New Jersey:

8
9 1. As used in P.L. , c. (C.) (pending before the
10 Legislature as this bill):

11 “Authority” means the New Jersey Economic Development
12 Authority established by section 4 of P.L.1974, c.80 (C.34:1B-4).

13 “Qualified business” means a business that qualifies, under
14 criteria established by the authority, as a small, woman-owned, or
15 minority-owned New Jersey-based business, manufacturer,
16 redeveloper, or non-profit organization.

17 “Regional center” means an area designated as a “regional
18 center” in the State Development and Redevelopment Plan adopted
19 pursuant to the “State Planning Act,” P.L.1985, c.398 (C.52:18A-
20 196 et al.).

21 “Urban center” means an area designated as an “urban center” in
22 the State Development and Redevelopment Plan adopted pursuant
23 to the “State Planning Act,” P.L.1985, c.398 (C.52:18A-196 et al.).
24

25 2. In the case of any undertaking by which the authority makes
26 a direct loan to a qualified business located in an urban center that
27 is unable to obtain funding from conventional sources,
28 notwithstanding the assistance of an authority guarantee, the
29 authority shall include within such an undertaking a qualified
30 business located in a regional center or in an area designated
31 pursuant to P.L.1985, c.398 (C.52:18A-196 et seq.) as “Planning
32 Area 1 (Metropolitan).”
33

34 3. This act shall take effect on the 60th day after the date of
35 enactment, but the New Jersey Economic Development Authority
36 may take anticipatory administrative action in advance thereof as
37 shall be necessary for the implementation of this act.
38
39

40 STATEMENT
41

42 This bill requires that, in the case of any undertaking by which
43 the New Jersey Economic Development Authority (EDA) makes a
44 direct loan to a qualified business located in an area designated as
45 an “urban center” in the “State Development and Redevelopment
46 Plan” (plan), the EDA is to include a qualified business located in
47 an area designated in the plan as being a “regional center” or in
48 “Planning Area 1 (Metropolitan).” Accordingly, a qualified

S1030 WEINBERG, CRUZ-PEREZ

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1 business in a regional center or in “Planning Area 1 (Metropolitan)”
2 would be permitted to receive a direct loan under a program
3 administered by the EDA entitled the “Urban Plus Program.”

4 A “qualified business” means a business that is established by
5 the EDA as a small, woman-owned, or minority-owned New Jersey-
6 based business, manufacturer, redeveloper, or non-profit
7 organization that is unable to obtain funding from conventional
8 sources, notwithstanding the assistance of an EDA guarantee.

SENATE ECONOMIC GROWTH COMMITTEE

STATEMENT TO

SENATE, No. 1030

STATE OF NEW JERSEY

DATED: JULY 14, 2016

The Senate Economic Growth Committee reports favorably Senate Bill No. 1030.

As reported, this bill requires the New Jersey Economic Development Authority (EDA) make direct loans to certain small, woman-owned, or minority-owned New Jersey-based businesses located in designated regional centers and planning areas. The bill provides that, if the EDA makes direct loans under an EDA program to qualified businesses located in an area designated as an “urban center” in the “State Development and Redevelopment Plan,” then the EDA is to also provide direct loans to qualified businesses located in areas designated in the plan as a “regional center” or “Planning Area 1 (Metropolitan).”

The bill defines “qualified business” as a business that qualifies, under criteria established by the EDA, as a small, woman-owned, or minority-owned New Jersey-based business, manufacturer, redeveloper, or non-profit organization. To qualify for direct loans from the EDA, a qualified business must be unable to obtain funding from conventional sources, notwithstanding the assistance of an EDA guarantee.

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 1030

STATE OF NEW JERSEY

DATED: DECEMBER 4, 2017

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 1030.

This bill requires the New Jersey Economic Development Authority (EDA) to make direct loans to certain small, woman-owned, or minority-owned New Jersey-based businesses located in designated regional centers and planning areas. The bill provides that, if the EDA makes direct loans under an EDA program to qualified businesses located in an area designated as an “urban center” in the “State Development and Redevelopment Plan,” then the EDA is to also provide direct loans to qualified businesses located in areas designated in the plan as a “regional center” or “Planning Area 1 (Metropolitan).”

The bill defines “qualified business” as a business that qualifies, under criteria established by the EDA, as a small, woman-owned, or minority-owned New Jersey-based business, manufacturer, redeveloper, or non-profit organization. To qualify for direct loans from the EDA, a qualified business must be unable to obtain funding from conventional sources, notwithstanding the assistance of an EDA guarantee.

As reported, this bill is identical to Assembly Bill No. 1451, as also reported by the committee.

FISCAL IMPACT:

The Office of Legislative Services (OLS) finds the magnitude of costs to the EDA to issue additional loans under the bill is indeterminate and will be based on the amount of revenue that will be realized if loans are repaid by the borrowers in full, less any loan amounts that are in default.

Additional small, women-owned, and minority-owned (SWM) businesses will be eligible for EDA loans at below-market rate interest. This eligibility likely will result in increased EDA lending activity. By issuing low interest loans, the EDA is likely to realize little, if any, profit from its lending activity, even if a loan is paid in full by the borrower. The interest paid by the borrower is likely to be comparable to the amount of interest paid by the EDA to access the capital used to issue the loan. The EDA imposes fees on applicants that allow the EDA to cover administrative costs related to reviewing the application and issuing the loan itself.

It is likely that the magnitude of these costs will be minimal because the bill expands an existing EDA loan program, so the EDA will likely already have experience lending to the targeted SWM businesses, allowing the EDA to adjust its lending standards and interest rates as necessary to minimize potential losses from defaults.

LEGISLATIVE FISCAL ESTIMATE
SENATE, No. 1030
STATE OF NEW JERSEY
217th LEGISLATURE

DATED: FEBRUARY 1, 2017

SUMMARY

Synopsis: Permits small, women-owned, or minority-owned businesses located in designated regional centers or planning areas to qualify for loans from EDA as if located in designated urban center.

Type of Impact: Increased State Cost

Agencies Affected: New Jersey Economic Development Authority (EDA)

Office of Legislative Services Estimate

Fiscal Impact	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
State Revenue	Indeterminate – See comments below		

- The Office of Legislative Services (OLS) finds the magnitude of costs to the New Jersey Economic Development Authority (EDA) to issue additional loans is indeterminate and will be based on the amount of revenue that will be realized if loans are repaid by the borrowers in full, less any loan amount that is defaulted on by borrowers.
- Additional small, women-owned, and minority-owned (SWM) businesses will be eligible for EDA loans at below-market rate interest. This will likely result in increased lending activity for the EDA. By issuing low interest loans, the EDA is likely to realize little, if any, profit from its lending activity, even if a loan is paid in full by the borrower. The interest paid by the borrower is likely to be comparable to the amount of interest paid by the EDA to access the capital used to issue the loan. The EDA imposes fees on applicants that allow the EDA to cover administrative costs related to reviewing the application and issuing the loan itself.
- It is likely that the magnitude of costs will be minimal because the bill expands an existing EDA loan program, so the EDA will likely already have experience lending to the targeted SWM businesses, allowing the EDA to adjust its lending standards and interest rates as necessary to minimize potential losses from defaults.

BILL DESCRIPTION

Senate Bill No. 1030 of 2016 extends eligibility for certain businesses located in a “regional center” or metropolitan “planning area” to receive loans that were previously limited to certain businesses in an “urban center” or “State Development and Redevelopment Plan.” The bill applies to EDA direct loans to a business that is established as a SWM New Jersey-based business, manufacturer, redeveloper, or non-profit organization that is unable to obtain funding from conventional sources, notwithstanding the assistance of an EDA guarantee located in the aforementioned areas. Accordingly, qualified SWM businesses in regional centers or metropolitan planning areas would be permitted to receive direct loans under any EDA loan program currently offering direct loans only to qualified SWM businesses located in urban centers.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS finds the bill to have an indeterminate State cost. The bill will make additional SWM businesses eligible for direct loans, which are currently only available to those SWM businesses located in urban centers. This expansion will likely result in an increase in the number of applications and loans issued under the program. This program offers loans at below-market rate interest. By reducing the rate of interest charged, the EDA is likely to realize little to no profit from the loans it issues. The interest rate that it does charge is likely to be comparable to the amount of interest that the EDA will have to pay on funds that it will borrow to finance the loans that it issues. This effectively allows the EDA to take advantage of the fact that it can borrow at lower interest rates than most SWM businesses and pass those savings along to the businesses that it issues loans. Any costs faced by the EDA for loan application processing and loan administration is charged to the applicant as a fee during the loan application process.

It is not clear how much, if any, additional interest the EDA charges above its own cost of borrowing. It cannot be known at this time how many additional loans will be issued by the EDA as a result of this bill or for what amount. It also cannot be known what balance of loans issued by the EDA will be defaulted on by borrowers. The EDA has discretion over the standards that it uses to determine whether an applicant is an acceptable credit risk, and the EDA can alter the interest rate as necessary if its own costs increase or decrease. This control over the interest rate and whether to lend to an applicant should provide the EDA with the ability to mitigate the risk of borrowers defaulting.

The total cost of the bill will be the amount of loans issued by the EDA as a result of this bill that is defaulted on. This cost will be offset by any profits that the EDA realizes from interest received from borrowers that pay their loans in full, less any costs to the EDA for capital to issue the loans.

FE to S1030

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Section: Authorities, Utilities, Transportation and Communications

*Analyst: Donahue, Kevin J.
Lead Research Analyst*

*Approved: Frank W. Haines III
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.).