

52:13D-19.1

**LEGISLATIVE HISTORY CHECKLIST**  
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**NJSA:** 52:13D-19.1

(State conflict of  
interest)

**LAWS OF:** 1991

**CHAPTER:** 254

**Bill No:** S3451

**Sponsor(s):** Lynch

**Date Introduced:** May 9, 1991

**Committee: Assembly:** Commerce

**Senate:** State Government

**Amended during passage:** Yes      Amendments during passage  
denoted by asterisks.

**Date of Passage: Assembly:** June 24, 1991

**Senate:** May 20, 1991

**Date of Approval:** August 13, 1991

**Following statements are attached if available:**

**Sponsor statement:** Yes

**Committee Statement: Assembly:** Yes

**Senate:** Yes

**Fiscal Note:** No

**Veto Message:** No

**Message on signing:** No

**Following were printed:**

**Reports:** No

**Hearings:** No

**KBG/SLJ**

SENATE, No. 3451

STATE OF NEW JERSEY

INTRODUCED MAY 9, 1991

By Senator LYNCH

1 AN ACT concerning conflicts of interest and supplementing  
2 P.L.1971, c.182.

3

4 BE IT ENACTED *by the Senate and General Assembly of the*  
5 *State of New Jersey:*

6 1. Notwithstanding the provisions of P.L.1971, c.182  
7 (C.52:13D-12 et seq.), a State officer or employee or a special  
8 State officer or employee or his partners or any corporation or  
9 firm in which he owns or controls more than 1% of the stock,  
10 assets or profits may enter into a contract or agreement with a  
11 State agency where the contract or agreement is for the  
12 development of scientific or technological discoveries or  
13 innovations in which the State agency has a property right, if the  
14 State agency has a procedure in its code of ethics for authorizing  
15 these contracts or agreements which minimizes actual conflicts  
16 of interest and the code of ethics was approved in accordance  
17 with section 12 of P.L.1971, c.182 (C.52:13D-23) and the contract  
18 or agreement complies with that code procedure.

19 2. Notwithstanding the provisions of P.L.1971, c.182  
20 (C.52:13D-12 et seq.), a State officer or employee or a special  
21 State officer or employee or his partners or any corporation or  
22 firm in which he owns or controls more than 1% of the stock,  
23 assets or profits may enter into a rental agreement with a State  
24 agency which operates a facility which rents space or provides  
25 services to assist small businesses which employ 50 people or less,  
26 pursuant to the same terms and conditions as those offered to  
27 members of the public generally.

28 3. Nothing in this act shall alter or affect any other applicable  
29 provisions regulating public contracts.

30 4. This act shall take effect immediately.

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STATEMENT

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35 Section 1 of this bill will foster the development of scientific  
36 or technological discoveries or innovations made by officers and  
37 employees during the course of their State employment. Officers  
38 and employees such as faculty members and researchers at State  
39 universities and colleges may make certain discoveries or  
40 innovations during the course of their employment which  
41 necessitate substantial funding to fully develop to a point where  
42 any large economic returns to the State are possible. Often the

1 State simply does not have the funds available to develop these  
2 discoveries or innovations and large, established companies are  
3 unwilling to invest their resources absent a guaranteed return on  
4 their investment. Such discoveries or innovations will survive  
5 only if someone champions them. That champion is often the  
6 inventor who sees the full potential of his discovery or  
7 innovation. The faculty member or researcher may wish to join  
8 with small investors in a start-up company to develop his  
9 discovery or innovation. The start-up company would then enter  
10 into an agreement with the college or university or other State  
11 agency for the development of the discovery or innovation which,  
12 if commercially successful, would benefit both the State and the  
13 start-up company. The New Jersey Conflicts of Interest Law  
14 could be interpreted as impeding such cooperative efforts, even  
15 though the State would stand to gain financially through royalties  
16 if the discovery or innovation became commercially successful.  
17 Additionally, scientific or technological discoveries or  
18 innovations developed in this way would promote new industries  
19 in the State, create new jobs and expand the State's economy.

20 This bill clarifies that agreements between a State agency and  
21 an officer or employee or his company to develop scientific or  
22 technological discoveries or innovations in which the State has a  
23 property right may be authorized, provided the State agency  
24 entering into the agreement has a procedure established in an  
25 approved code of ethics which authorizes these agreements and  
26 minimizes any conflicts of interest and the agreement complies  
27 with that procedure.

28 Section 2 of the bill will allow officers and employees of State  
29 agencies and their firms to enter into rental agreements with  
30 State agencies which rent "incubator" space to small businesses,  
31 if the terms and conditions of the rental agreement are the same  
32 as those offered to members of the public generally.

33 Section 3 of the bill clarifies that nothing in this bill is meant  
34 to alter existing provisions which regulate public contracts  
35 generally.

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#### STATE GOVERNMENT ETHICS

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40 Authorizes certain State contracts to be entered into by State  
41 officers or employees and special State officers or employees  
42 under certain circumstances.

ASSEMBLY COMMERCE AND REGULATED  
PROFESSIONS COMMITTEE

STATEMENT TO

[FIRST REPRINT]

SENATE, No. 3451

STATE OF NEW JERSEY

DATED: JUNE 13, 1991

The Assembly Commerce and Regulated Professions Committee reports favorably Senate, No. 3451(1R).

The purpose of this bill is to foster the development of scientific or technological discoveries or innovations made by State officers or employees or special State officers or employees. These persons, such as faculty members and researchers at the State university and State colleges, may make discoveries or innovations during the course of their employment which require substantial funding to fully develop. Often the State does not have the funds available to develop these discoveries or innovations and established companies are unwilling to invest their resources without a guaranteed return on their investment. Thus, a person may wish to join with small investors in a start-up company to develop the discovery or innovation. The start-up company could then enter into an agreement with the college or university or other State agency for the development of the discovery or innovation which, if commercially successful, would benefit both the State and the start-up company. The New Jersey Conflicts of Interest Law could be interpreted as impeding such a cooperative effort.

This bill provides that a State officer or employee or a special State officer or employee or his partners or any corporation or firm in which he owns or controls more than 1% of the stock, assets or profits may enter in a contract or agreement with a State agency where the contract or agreement is for the development of scientific or technological discoveries or innovations in which the State agency has a property right, provided that the State agency has a procedure in its code of ethics for authorizing these contracts or agreements which minimizes actual conflicts of interest and that the contract or agreement complies with that code procedure.

The bill will also allow a State officer or employee or a special State officer or employee or his partners or any corporation or firm in which he owns or controls more than 1% of the stock, assets or profits to enter into a rental agreement with a State agency which operates a facility which rents space or provides services to assist small businesses employing 50 people or less. The terms and conditions of the rental agreement shall be the same as those offered to members of the public generally.

Four years after the effective date of this act, a State agency shall provide the Legislature with a synopsis of all contracts or agreements which it has entered into pursuant to this act and any complaints which it has received concerning a contract or agreement entered into pursuant to this act.

SENATE STATE GOVERNMENT AND FEDERAL  
AND INTERSTATE RELATIONS COMMITTEE

STATEMENT TO

**SENATE, No. 3451**

with committee amendments

**STATE OF NEW JERSEY**

DATED: MAY 13, 1991

The Senate State Government and Federal and Interstate Relations Committee reports favorably and with committee amendments Senate Bill No. 3451.

The purpose of this bill is to foster the development of scientific or technological discoveries or innovations made by State officers or employees or special State officers or employees. These persons, such as faculty members and researchers at the State university and State colleges, may make discoveries or innovations during the course of their employment which require substantial funding to fully develop. Often the State does not have the funds available to develop these discoveries or innovations and established companies are unwilling to invest their resources without a guaranteed return on their investment. Thus, a person may wish to join with small investors in a start-up company to develop the discovery or innovation. The start-up company could then enter into an agreement with the college or university or other State agency for the development of the discovery or innovation which, if commercially successful, would benefit both the State and the start-up company. The New Jersey Conflicts of Interest Law could be interpreted as impeding such a cooperative effort.

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Four years after the effective date of this act, a State agency shall provide the Legislature with a synopsis of all contracts or agreements which it has entered into pursuant to this act and any complaints which it has received concerning a contract or agreement entered into pursuant to this act.

#### COMMITTEE AMENDMENTS

The committee amended the bill to provide that four years after the effective date of this act, a State agency shall provide the Legislature with a synopsis of all contracts or agreements which it has entered into pursuant to this act and any complaints which it has received concerning a contract or agreement entered into pursuant to this act.

[FIRST REPRINT]

SENATE, No. 3451

STATE OF NEW JERSEY

INTRODUCED MAY 9, 1991

By Senator LYNCH

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24 agency which operates a facility which rents space or provides  
25 services to assist small businesses which employ 50 people or less,  
26 pursuant to the same terms and conditions as those offered to  
27 members of the public generally.

28 3. Nothing in this act shall alter or affect any other applicable  
29 provisions regulating public contracts.

30 4. Four years after the effective date of this act, a State  
31 agency shall provide the Legislature with a synopsis of all  
32 contracts or agreements which it has entered into pursuant to  
33 this act and any complaints which it has received concerning a  
34 contract or agreement entered into pursuant to this act.<sup>1</sup>

35 <sup>1</sup>[4.] 5.<sup>1</sup> This act shall take effect immediately.

EXPLANATION—Matter enclosed in bold-faced brackets [thus] in the  
above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

<sup>1</sup> Senate SSG committee amendments adopted May 13, 1991.

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STATE GOVERNMENT ETHICS

Authorizes certain State contracts to be entered into by State officers or employees and special State officers or employees under certain circumstances.



SENATE SSG COMMITTEE

AMENDMENTS

to

SENATE, No. 3451  
(Sponsored by Senator LYNCH)

ADOPTED  
MAY 13 1991

INSERT NEW SECTION 4 TO READ:

~~14. Any State agency which enters into a contract or agreement pursuant to the provisions of this act shall report to the Legislature within four years after the effective date of this act on the contracts or agreements entered into, on any complaints filed concerning the contracts or agreements, and on the development of scientific or technological discoveries or innovations.~~

RENUMBER SECTION 4 AS SECTION 5

*underline* { Four years after the effective date of this act, a State agency shall ~~report to~~ <sup>provide</sup> the legislature with a synopsis of all contracts or agreements which it has entered into pursuant to this act and any complaints which it has received concerning a contract or agreement entered into pursuant to this act.