

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

SENATE, No. 1323 STATE OF NEW JERSEY 221st LEGISLATURE

DATED: JULY 3, 2024

SUMMARY

- Synopsis:** Revises various requirements of New Jersey Aspire Program and establishes Redevelopment Project Bridge Financing Program.
- Type of Impact:** Annual increase in State expenditures, annual State revenue impact.
- Agencies Affected:** New Jersey Economic Development Authority; Department of the Treasury.

Office of Legislative Services Estimate

| Fiscal Impact | <u>Annual</u> |
|-----------------------------------|----------------------|
| State Expenditure Increase | Indeterminate |
| State Revenue Impact | Indeterminate |

- The Office of Legislative Services (OLS) concludes that the bill could result in annual increases in State expenditures and revenues associated with the provision that requires the Department of the Treasury to purchase unused tax credits issued under the New Jersey Aspire Program at a discount.
- The OLS also anticipates a reduction in State revenue collected under the New Jersey Gross Income Tax and the New Jersey Corporation Business Tax due to the income exclusion provided in the bill for any gain or income derived from the transfer of tax credits issued pursuant to the New Jersey Economic Recovery Act of 2020.
- Additionally, the OLS concludes that the bill would result in annual expenditure and revenue increases for the New Jersey Economic Development Authority to create and administer the Redevelopment Project Bridge Financing Program.

BILL DESCRIPTION

This bill revises various provisions of the Aspire Program, including changes to program definitions, changes concerning residential projects under the program, the eligibility period for a project, the sale of buildings under the program, and additional eligibility and occupancy requirements. Notably, the bill requires the authority to promulgate a schedule of fees that are limited to coverage of actual direct costs of administering the program, coverage of reasonable indirect costs of administering the program, and maintenance of reasonable reserves for administering the program.

Additionally, the bill requires the Department of the Treasury to purchase unused tax credits at a discount of their face value, for a cash payment equal to 90 percent of the amount of tax credits evidenced by the tax certificates. However, the bill requires the issuance date of the tax credit certificate or tax credit transfer certificate to have occurred at least one year before the date of surrender and requires that the certificate was not sold or reassigned. Furthermore, the bill amends current law to exclude gains from the transfer of tax credits issued pursuant to the New Jersey Economic Recovery Act of 2020 from the calculation of “entire net income” under the New Jersey Corporation Business Tax and “gross income” under the New Jersey Gross Income Tax.

This bill establishes the Redevelopment Project Bridge Financing Program under the Aspire Program for the purpose of offering loans or loan guarantees, at the discretion of the authority, to the developers of redevelopment projects that have an outstanding project financing gap. The additional financing would be issued to the developer of a redevelopment project, prior to the issuance of tax credits under the Aspire Program, to ensure the completion of the project. The bill sets forth application requirements to receive financing. The bill authorizes the authority to issue loans and loan guarantees using a Redevelopment Project Bridge Financing Revolving Fund, into which all monies received from loan repayments are to be deposited. All monies received in the fund are to support the Redevelopment Project Bridge Financing Program until such time as the authority determines there remains no need for bridge financing, or until December 31, 2028, whichever occurs first. At that time monies from the Redevelopment Project Bridge Financing Revolving Fund will be deposited into the General Fund. Notably, the bill requires that the authority recommend to the Governor and the Legislature an amount for appropriation, which amount is necessary for the administration of the Redevelopment Project Bridge Financing Program.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS concludes that the bill could result in annual increases in State expenditures and revenues associated with the provision that requires the Department of the Treasury to purchase unused tax credits under the Aspire Program at a discount, for cash payments equal to 90 percent of the amount of tax credits. For example, if the department were to purchase an unused \$1 million tax credit at 90 percent of face value, the department would expend \$900,000 and would avoid the \$1 million tax revenue loss that would have occurred if the prior tax credit holder had redeemed the full amount of the tax credit.

Additionally, the OLS concludes that the bill would result in annual expenditure increases for the authority associated with the creation and administration of the Redevelopment Project Bridge Financing Program, the issuance of program loans, and the repayment of any loan which the authority guarantees and for which the borrower defaults. The authority is also expected to experience annual revenue increases from application fees, loan issuance fees, and loan repayments from borrowers. Depending on the interest rates approved by the authority and the rates of default on program loans, these loan repayments may partially or wholly offset any expenses incurred by the authority in the operation of the Redevelopment Project Bridge Financing Program. Notably, the fiscal impact of the Redevelopment Project Bridge Financing Program will depend on the amount of funding appropriated for it. Because the bill requires that the authority provide a recommendation to the Governor and the Legislature concerning the amount of funding necessary to support the Redevelopment Project Bridge Financing Program, the OLS is unable to quantify the magnitude of the anticipated cost and revenue increases associated with this program.

The OLS also anticipates a reduction in State revenues collected under the Gross Income Tax and the Corporation Business Tax associated with the income exclusion provided in the bill for any gain or income derived from the transfer of tax credits issued pursuant to the New Jersey Economic Recovery Act of 2020.

Section: Authorities, Utilities, Transportation and Communications

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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.).