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PUBLIC HEARING

before

ASSEMBLY ECONOMIC DEVELOPMENT AND AGRICULTURE COMMITTEE

ASSEMBLY BILL 4184

(The "New Technologies, New Jobs Act of 1987")

June 11, 1987  
Room 449  
State House Annex  
Trenton, New Jersey

MEMBERS OF COMMITTEE PRESENT:

Assemblyman Joseph Azzolina, Chairman  
Assemblyman Jack Collins, Vice Chairman  
Assemblyman John T. Hendrickson  
Assemblyman John E. Rooney  
Assemblyman George Hudak  
Assemblyman Anthony S. Marsella

ALSO PRESENT:

Gregory L. Williams  
Office of Legislative Services  
Aide, Assembly Economic Development & Agriculture Committee

Deborah Smarth  
Assembly Majority Staff

Frederick F. Butler, Jr.  
Assembly Minority Staff

\* \* \* \* \*

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Trenton, New Jersey 08625



JOSEPH AZZOLINA  
*Chairman*  
JACK COLLINS  
*Vice-Chairman*  
JOHN T. HENDRICKSON, JR.  
JOHN E. ROONEY  
  
GEORGE HUDAK  
ANTHONY S. MARSELLA

**New Jersey State Legislature**  
**ASSEMBLY ECONOMIC DEVELOPMENT  
AND AGRICULTURE COMMITTEE**  
STATE HOUSE ANNEX, CN-068  
TRENTON, NEW JERSEY 08625  
TELEPHONE: (609) 984-0445

NOTICE OF PUBLIC HEARING

June 2, 1987

The Assembly Economic Development and Agriculture Committee will hold a public hearing on Thursday, June 11, 1987 at 10:30 a.m. in Room 449 of the State House Annex, on the following bill:

A-4184 The "New Technologies, New Jobs Act of 1987,"  
Franks authorizes bonds for \$20 million; appropriates \$5,000.

Anyone wishing to testify should contact Gregory L. Williams, Committee Aide, at (609) 984-0445.

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\*Pending Referral

AN ACT authorizing the creation of a debt of the State of New Jersey by the issuance of bonds in the sum of \$20,000,000.00 for the purpose of providing funds for the New Jersey Venture Investment Fund and the New Jersey Product Development Fund; providing the ways and means to pay the interest on this debt and also to pay and discharge the principal thereof; providing for the refinancing of any or all of these bonds under certain circumstances; providing for the submission of this act to the people at a general election; and making an appropriation therefor.

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

1. This act shall be known and may be cited as the "New Technologies, New Jobs Act of 1987."

2. The Legislature finds and determines that:

a. Notwithstanding the loss of more than 100,000 manufacturing jobs since 1979, New Jersey's manufacturing sector continues to be a source of high-paying employment for a large portion of the State's workforce and an important component of its economic diversity and vitality;

b. Manufacturing is essential for the success of New Jersey's high technology sector, because most of the State's high technology jobs are in manufacturing industries;

c. Although New Jersey has been a leader in corporate research and development in advanced technology industries like electrical equipment, pharmaceuticals and other chemicals, these industries have nonetheless experienced numerous permanent layoffs and plant closings;

d. The contrast between New Jersey's vast private research resources and its dwindling employment base in manufacturing demonstrates the need for more technology transfers from its research facilities to its industrial plants.

e. Significant gaps exist in the private sector capital resources available in the State for the key type of technology transfers represented by the development and commercialization of new products by independent small and medium sized businesses;

f. It is a valid public purpose to strengthen the State's manufacturing industries by establishing programs to help finance the development and commercialization of new products by new and existing businesses in New Jersey.

3. As used in this act:

a. "Authority" means the "New Jersey Economic Development Authority," created pursuant to P.L. 1974, c. 80 (C. 34:1B-1 et seq.).

b. "Board" means the board of the New Jersey Product Development Corporation established pursuant to section 8 of P.L. , c. (C. )(now pending before the Legislature as the Assembly Committee Substitute for Assembly Bill No. 3282).

c. "Bonds" mean the bonds authorized to be issued, or issued under this act.

d. "Development and commercialization" means:

(1) Research related to the development of a new product which has advanced beyond the conceptual stage and is readily capable of being reduced to practice;

(2) Preparation for the production of the new product, including, but not limited to, the building or modifying of production plant and equipment; and

(3) The initial marketing of the new product.

e. ~~"Government securities" means any bonds or other obligations~~ which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the United States of America and certificates or any other evidences of an ownership interest in

those obligations, or unconditional guarantees, of the United States or in specified portions of those obligations, which may consist of the principal of, or the interest on, those obligations.

4. The authority shall adopt, pursuant to law, the rules and regulations necessary to carry out the provisions of this act as described in subsection a. of section 5 of this act. The board shall adopt, pursuant to law, the rules and regulations necessary to carry out the provisions of this act as described in subsection b. of section 5 of this act.

5. Bonds of the State of New Jersey are authorized to be issued in the aggregate principal amount of \$20,000,000.00 for the purpose of creating new jobs in the State by assisting the development and commercialization of new products, to be allocated as follows:

a. \$10,000,000.00 to the assisting, pursuant to sections 1 through 6 of P.L. , c. ,(C. through C. )(now pending before the Legislature as the Assembly Committee Substitute for Assembly Bill No. 3282), of efforts by businesses which are less than three years old to develop and commercialize new products which would result in the creation of significant numbers of full-time nonseasonal jobs and for which financial aid is necessary because funding is unavailable in the traditional capital markets or because funding has been offered only on terms which would substantially hinder the success of the project; and

b. \$10,000,000.00 to the assisting, pursuant to sections 7 through 13 of P.L. . c. ,(C. through C. )(now pending before the Legislature as the Assembly Committee Substitute for Assembly Bill No. 3282), of efforts by businesses which are three or more years old to develop and commercialize new products which would result in the creation of significant numbers of full-time nonseasonal jobs and for which financial aid is necessary because funding is unavailable in the traditional capital markets or because funding has been offered only on terms which would substantially hinder the success of the project.

6. The bonds authorized under this act shall be serial bonds, term bonds, or a combination thereof, and shall be known as "New Products, New Jobs Bonds." These bonds shall be issued from time to time as the issuing officials herein named shall determine, and may be issued in coupon form, fully registered form or book-entry form. These bonds may be made subject to redemption prior to maturity and shall mature and be paid not later than 35 years from the date of issuance.

7. The Governor, the State Treasurer and the Director of the Division of Budget and Accounting in the Department of the Treasury, or any two of these officials, herein referred to as "the issuing officials," are authorized to carry out the provisions of this act relating to the issuance of bonds, and shall determine all matters in connection therewith subject to the provisions of this act. If an issuing official is absent from the State or incapable of acting for any reason, the powers and duties of that issuing official shall be exercised and performed by the person authorized by law to act in an official capacity in the place of that issuing official.

8. Bonds issued in accordance with the provisions of this act shall be direct obligations of the State of New Jersey, and the faith and credit of the State are pledged for the payment of the interest thereon when due and for the payment of the principal thereof at maturity. The principal of and interest on the bonds shall be exempt from taxation by the State or by any county, municipality or other taxing district of the State.

9. The bonds shall be signed in the name of the State by the Governor or by his facsimile signature, under the Great Seal of the State, which seal may be by facsimile or by way of any other form of reproduction on the bonds, and attested by the manual or facsimile signature of the Secretary of State, or an assistant Secretary of State, and shall be countersigned by the facsimile signature of the Director of the Division of Budget and Accounting in the Department of the Treasury and may be manually authenticated by an authenticating agent or bond registrar, as the issuing officials shall determine. Interest coupons, if any, attached to the bonds shall be signed by the facsimile signature of the director. The bonds may be issued notwithstanding that an issuing official signing them or whose manual or facsimile signature appears thereon ~~has ceased to hold office at the time of issuance or at the~~ time of the delivery of the bonds to the purchaser thereof.

10. a. The bonds shall recite that they are issued for the purposes set forth in section 5 of this act, that they are issued pursuant to this act, and that this act was submitted to the people of the State at the general election held in the month of November, 1987 and that this act was approved by a majority of the legally qualified voters of the State voting thereon at the election. This recital shall be conclusive evidence of the validity of the bonds and of the authority of the State to issue them. Any bonds containing this recital shall, in any suit, action or proceeding involving their validity, be conclusively deemed to be fully authorized by this act and to have been issued, sold, executed and delivered in conformity herewith and with all other provisions of laws applicable hereto, and shall be incontestable for any cause.

b. The bonds shall be issued in the denominations and in the form or forms, whether coupon, fully-registered or book-entry, and with or without provisions for the interchangeability thereof, as may be determined by the issuing officials.

11. When the bonds are issued from time to time, the bonds of each issue shall constitute a separate series to be designated by the issuing officials. Each series of bonds shall bear the rate or rates of interest as may be determined by the issuing officials, which interest shall be payable semiannually; except that the first and last interest periods may be longer or shorter, in order that intervening semiannual payments may be at convenient dates.

12. The bonds shall be issued and sold at such price or prices and under such terms, conditions and regulations, as the issuing officials may prescribe, after notice of the sale, published at least once in at least three newspapers published in New Jersey, and at least once in a publication carrying municipal bond notices and devoted primarily to financial news, published in New Jersey or in the city of New York in the state of New York, the first notice to appear at least five days prior to the day of bidding. The notice of sale may contain a provision to the effect that any or all bids in

pursuance thereof may be rejected. In the event of rejection or of failure to receive any acceptable bid, the issuing officials, at any time within 60 days from the date of the advertised sale, may sell the bonds at a private sale at such price or prices and under such terms and conditions as the issuing officials may prescribe. The issuing officials may sell all or part of the bonds of any series as issued to any State fund or to the federal government or any agency thereof, at a private sale, without advertisement.

13. Until permanent bonds are prepared, the issuing officials may issue temporary bonds in such form and with such privileges as to their registration and exchange for permanent bonds as may be determined by the issuing officials.

14. The proceeds from the sale of the bonds shall be paid to the State Treasurer and be held by him in the New Jersey Venture Investment Fund and the New Jersey Product Development Fund created pursuant to P.L. , c. ,(C. through C. )(now pending before the Legislature as the Assembly Committee Substitute for Assembly Bill No. 3282). The proceeds from the sale of the bonds which are allocated for the purposes specified in subsection a. of section 5 of this act shall be deposited to the credit of the New Jersey Venture Investment Fund and the proceeds from the sale of the bonds which are allocated for the purposes specified in subsection b. of section 5 of this act shall be deposited to the credit of the New Jersey Product Development Fund. The moneys in the funds may be deposited in depositories selected by the State Treasurer to the credit of the funds.

15. a. The moneys in the New Jersey Venture Investment Fund are specifically dedicated and shall be applied to the costs of the purposes set forth in subsection a. of section 5 of this act, and all such moneys are appropriated for those purposes, and no such moneys shall be expended for those purposes, except as otherwise authorized in this act, without the specific appropriation thereof by the Legislature, but bonds may be issued as herein provided, notwithstanding that the Legislature has not adopted an act making a specific appropriation of any of the moneys. The moneys in the New Jersey Product Development Fund are specifically dedicated and shall be applied to the costs of the purposes set forth in subsection b. of section 5 of this act, and all such moneys are appropriated for those purposes, and no such moneys shall be expended for those purposes ~~except as, otherwise, authorized, in this act, without the~~ specific appropriation thereof by the Legislature, but bonds may be issued as herein provided, notwithstanding that the Legislature has not adopted an act making a specific appropriation of any of the moneys.

b. At any time prior to the issuance and sale of bonds under this act, the State Treasurer is authorized to transfer from available money in any fund of the treasury of the State to the credit of the ~~the~~ New Jersey Venture Investment Fund or the New Jersey Product Development Fund such sums as he may deem

necessary. Any sum so transferred shall be returned to the same fund of the treasury by the State Treasurer from the proceeds of the sale of the first issue of bonds.

c. Pending their application to the purposes provided in this act, the moneys in the New Jersey Venture Investment Fund or the New Jersey Product Development Fund <sup>2</sup> may be invested and reinvested as are other trust funds in the custody of the State Treasurer, in the manner provided by law. Net earnings received from the investment or deposit of each fund shall be paid into that fund.

16. If any coupon bond or coupon or registered bond is lost, mutilated or destroyed, a new bond or coupon shall be executed and delivered of like tenor, in substitution for the lost, mutilated or destroyed bond or coupon, upon the owner furnishing to the issuing officials such evidence satisfactory to them of the loss, mutilation or destruction of the bond or coupon; the ownership thereof; and the security, indemnity and reimbursement for expenses connected therewith, as the issuing officials may require.

17. The accrued interest received upon the sale of the bonds shall be applied to the discharge of a like amount of interest upon the bonds when due. Any expense incurred by the issuing officials for advertising, engraving, printing, clerical, authenticating, registering, legal or other services necessary to carry out the duties imposed upon them by the provisions of this act shall be paid from the proceeds of the sale of the bonds by the State Treasurer, upon the warrant of the Director of the Division of Budget and Accounting in the Department of the Treasury, in the same manner as other obligations of the State are paid.

18. Bonds of each series issued hereunder shall mature, including any sinking fund redemptions, not later than the 35th year from the date of issue of the series, and in such amounts as shall be determined by the issuing officials. The issuing officials may reserve to the State by appropriate provision in the bonds of any series the power to redeem any of the bonds prior to maturity at the price or prices and upon the terms and conditions as may be provided in the bonds.

19. The issuing officials may issue refunding bonds in an amount not to exceed the amount necessary to effectuate the refinancing of all or any bonds issued pursuant to this act, at any time and from time to time, for the purpose of refinancing any bond or bonds issued pursuant to this act, subject to the following provisions:

a. Refunding bonds may be issued at such time prior to the maturity or redemption of the bonds to be refinanced thereby as the issuing officials shall determine.

b. Each series of refunding bonds may be issued in a sufficient amount to pay or to provide for the payment of the principal of the bonds to be refinanced thereby, together with any redemption premium thereon, any interest accrued or to accrue on such bonds to be refinanced to the date of payment of such outstanding bonds, the expense of issuing such refunding bonds and the expenses, if any, of paying such bonds to be refinanced.

c. No refunding bonds shall be issued unless the issuing officials shall first determine that the present value of the aggregate principal of and interest on such refunding bonds is less than the present value of the aggregate principal of and interest on the

bonds to be refinanced thereby; provided, for the purposes of this limitation, present value shall be computed using a discount rate equal to the yield of such refunding bonds, and yield shall be computed using an actuarial method based upon a 360-day year with semiannual compounding and upon the price or prices paid to the State by the initial purchasers of such refunding bonds.

d. Any refinancing authorized hereunder may be effected by the sale of the refunding bonds and the application of the proceeds thereof to the immediate payment of the principal of the bonds to be refinanced thereby, together with any redemption premium thereon, any interest accrued or to accrue on such bonds to be refinanced to the date of payment of such bonds, the expenses of issuing the refunding bonds and the expenses, if any, of paying such bonds to be refinanced, or, to the extent not required for such immediate payment, shall be deposited, together with any other moneys legally available therefor, in trust with one or more trustees or escrow agents, which trustees or escrow agents shall be trust companies or national or state banks having powers of a trust company, located either within or without the State, to be applied solely to the payment when due of the principal of, redemption premium, if any, and interest due and to become due on the bonds to be refinanced on or prior to the redemption date or maturity date thereof, as the case may be. Any such proceeds or moneys

so held by such trustees or escrow agents may be invested in government securities, including government securities issued or held in book-entry form on the books of the Department of Treasury of the United States; provided, such government securities shall not be subject to redemption prior to their maturity other than at the option of the holder thereof. Except as otherwise provided in this subsection, neither government securities or moneys so deposited with such trustees or escrow agents shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of, redemption premium, if any, and interest on the bonds to be refinanced thereby; provided that any cash received from such principal or interest payments on such government securities deposited with such trustees or escrow agents, to the extent such cash will not be required at any time for such purpose shall be paid over to such trustees or escrow agents, and to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable and legally permissible, be reinvested in government securities maturing at times and in amounts sufficient to pay when due the principal of, redemption premium, if any, and interest to become due on the bonds to be refinanced on and prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments to the extent not required for the payment of bonds shall be paid over to the State, as received by such trustees or escrow agents. Notwithstanding anything to the contrary contained herein: (1) such trustees or escrow agents shall, if so directed by the issuing officials, apply moneys on deposit with such trustees or escrow agents pursuant to the provisions of this section and redeem or sell government securities so deposited with such trustees or escrow agents and apply the proceeds thereof to the purchase of the bonds which were refinanced by the deposit with such trustees or escrow agents of such moneys and government securities and immediately thereafter cancel all such bonds so purchased or apply the proceeds to the purchase of different government securities; provided, however, that the moneys and government securities on deposit with such trustees or escrow agents after such purchase and cancellation of such outstanding bonds of such purchase of different government securities shall be sufficient to pay when due the principal of, redemption premium, if any, and interest on all other bonds in respect of which such moneys and government securities were deposited with such trustees or escrow

agents on or prior to the redemption date or maturity date thereof, as the case may be; and (2) in the event that on any date, as a result of any purchases and cancellations of such bonds or any purchases of different government securities as provided in this subsection, the total amount of moneys and government securities remaining on deposit with such trustees or escrow agents is in excess of the total amount which have been required to be deposited with such trustees or escrow agents on such date in respect of the remaining bonds for which such deposit was made in order to pay when the principal of, redemption premium, if any, and interest on such remaining bonds, such trustees or escrow agents, shall, if so directed by the issuing officials, pay the amount of such excess to the State. Any amounts held by the State Treasurer in a separate fund or funds for the payment of the principal of and interest on bonds to be refinanced, as provided herein, shall, if so directed by the issuing officials, be transferred by the State Treasurer for deposit with one or more trustees or escrow agents as provided herein to be applied to the payment when due of the principal of, redemption premium, if any, and interest to become due on such bonds to be refinanced, as provided in this section, or be applied by the State Treasurer to the payment when due of the principal of and interest on refunding bonds issued hereunder to refinance such bonds. The State Treasurer is authorized to enter into any contract or contracts with one or more trust companies or national or state banks, as provided herein, subject to the approval of the issuing officials.

e. Notwithstanding the provisions of section 12 hereof, any series of refunding bonds issued pursuant to this section shall mature at any time or times not later than five years following the latest scheduled final maturity date, determined without regard to any redemptions prior thereto, of any of the bonds to be refunded thereby, and in no event later than 35 years following the date of issuance of such series of refunding bonds, and such refunding bonds may be sold at public or private sale at such prices and under such terms, conditions and regulations as the issuing officials may prescribe. Refunding bonds shall be entitled to all the benefits of this act and subject to all its limitations except as to sale provisions and to the extent therein otherwise expressly provided.

f. Upon the decision by the issuing officials to issue refunding bonds pursuant to this section, and prior to the sale of those bonds, the issuing officials shall transmit to the Joint Budget Oversight Committee, or its successor, a report that a decision has been made, reciting the basis on which the decision was made, including an estimate of the debt service savings to be achieved and the calculations upon which the issuing officials relied when making the decision to issue refunding bonds. The report shall also disclose the intent of the issuing officials to issue and sell the refunding bonds at public or private sale and the reasons theretofore.

g. The Joint Budget Oversight Committee, or its successor, shall have authority to approve or disapprove the sales of refunding bonds as included in each report submitted in accordance with subsection f. of this section. The committee, or its successor, shall notify the issuing officials in writing of the approval or disapproval as expeditiously as possible.

h. No refunding bonds shall be issued unless the report has been submitted to and approved by the Joint Budget Oversight Committee, or its successor, as set forth in subsection g. of this section.

i. Within 30 days after the sale of the refunding bonds, the issuing officials shall notify the committee, or its successor, of the result of that sale, including the prices and terms, conditions and regulations concerning the refunding bonds, the actual amount of debt service savings to be realized as a result of the sale of refunding bonds, and the intended use of the proceeds from the sale of those bonds.

j. The committee, or its successor, shall, however, review all information and reports submitted in accordance with this section and may, on its own initiative, make observations and recommendations to the issuing officials, or to the Legislature, or both, as it deems appropriate.

20. Any bond or bonds issued hereunder shall no longer be deemed to be outstanding, shall no longer constitute a direct obligation of the State of New Jersey and the faith and credit of the State, shall no longer be pledged to the payment of the principal of and interest on such bonds, and such bonds shall be secured solely by and payable solely from moneys and government securities deposited in trust with one or more trustees or escrow agents, which trustees and escrow agents shall be trust companies or national or state banks having powers of a trust company, located either within or without the State, as provided herein, whenever there shall be deposited in trust with such trustees or escrow

agents as provided herein either moneys or government securities, including government securities issued or held in book-entry form on the books of the Department of Treasury of the United States, the principal of and interest on which when due will provide money which, together with the moneys, if any, deposited with such trustees or escrow agents at the same time, shall be sufficient to pay when due the principal of, redemption premium, if any, and interest due and to become due on such bonds on or prior to the redemption date or maturity date thereof, as the case may be; provided, such government securities shall not be subject to redemption prior to their maturity other than at the option of the holder thereof. The State of New Jersey hereby covenants with the holders of any bonds for which government securities or moneys shall have been deposited in trust with such trustees or escrow agents as provided in this section that, except as otherwise provided in this section, neither the government securities nor moneys so deposited with such trustees or escrow agents shall be withdrawn or used by the State for any purpose other than, and shall be held in trust for, the payment of the principal of, redemption premium, if any, and interest to become due on such bonds; provided that any cash received from such principal or interest payments on such government securities deposited with such trustees or escrow agents, to the extent such cash will not be required at any time for such purpose, shall be paid over to the State as received by such trustees or escrow agents free and clear of any trust, lien, pledge or assignment securing such bonds; and to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable and legally permissible, be reinvested in government securities maturing at times and in amounts sufficient to pay when due the principal of, redemption premium, if any, and interest to become due on such bonds on and prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the State, as received by such trustees or escrow agents, free and clear of any trust, lien or pledge securing such bonds. Notwithstanding anything to the contrary contained herein: a. such trustees or escrow agents shall, if so directed by the issuing officials, apply moneys on deposit with such trustees or escrow agents pursuant to the provisions of this section and redeem or sell government securities so deposited with such trustees or escrow agents and apply the proceeds thereof to

(1) the purchase of the bonds which were refinanced by the deposit with such trustees or escrow agents of such moneys and government securities and immediately thereafter cancel all bonds so purchased, or (2) the purchase of different government securities; provided, however, that the moneys and government securities on deposit with such trustees or escrow agents after such purchase and cancellation of such bonds or such purchase of different government securities shall be sufficient to pay when due the principal of, redemption premium, if any, and interest on all other bonds in respect of which such moneys and government securities were deposited with such trustees or escrow agents on or prior to the redemption date or maturity date thereof, as the case may be; and b. in the event that on any date, as a result of any purchases and cancellations of bonds or any purchases of different government securities as provided in this sentence, the total amount of moneys and government securities remaining on deposit with such trustees or escrow agents is in excess of the total amount which would have been required to be deposited with such trustees or escrow agents on such date in respect of the remaining bonds for which such deposit was made in order to pay when due the principal of, redemption premium, if any, and interest on such remaining bonds, such trustees or escrow agents shall, if so directed by the issuing officials, pay the amount of such excess to the State free and clear of any trust, lien, pledge or assignment securing such refunding bond.

21. Refunding bonds issued pursuant to section 19 of this act may be consolidated with bonds issued pursuant to section 5 of this act or with bonds issued pursuant to any other act for purposes of sale.

22. To provide funds to meet the interest and principal payment requirements for the bonds issued under this act and outstanding, there is appropriated in the order following:

a. Revenue derived from the collection of taxes under the "Sales and Use Tax Act," P. L. 1966, c. 30 (C. 54:32B-1 et seq.), or so much thereof as may be required; and

b. If, at any time, funds necessary to meet the interest and principal payments on outstanding bonds issued under this act, are insufficient or not available, there shall be assessed, levied and collected annually in each of the municipalities of the counties of this State, a tax on the real and personal property upon which

municipal taxes are or shall be assessed, levied and collected, sufficient to meet the interest on all outstanding bonds issued hereunder and on the bonds proposed to be issued under this net in the calendar year in which the tax is to be raised and for the payment of bonds falling due in the year following the year for which the tax is levied. The tax shall be assessed, levied and collected in the same manner and at the same time as other taxes upon real and personal property. The governing body of each municipality shall pay to the treasurer of the county in which the municipality is located, on or before December 15 in each year, the amount of tax herein directed to be assessed and levied, and the county treasurer shall pay the amount of the tax to the State Treasurer on or before December 20 in each year.

If on or before December 31 in any year, the issuing officials, by resolution, determine that there are moneys in the General Fund beyond the needs of the State, sufficient to meet the principal of bonds falling due and all interest payable in the ensuing calendar year, the issuing officials shall file the resolution in the office of the State Treasurer, whereupon the State Treasurer shall transfer the moneys to a separate fund to be designated by him, and shall pay the principal and interest out of that fund as the same shall become due and payable, and the other sources of payment of the principal and interest provided for in this section shall not then be available, and the receipts for the year from the tax specified in subsection a. of this section shall be considered part of the General Fund, available for general purposes.

23. Should the State Treasurer, by December 31 of any year, deem it necessary, because of insufficiency of funds collected from the sources of revenues as provided in this act, to meet the interest and principal payments for the year after the ensuing year, then the State Treasurer shall certify to the Director of the Division of Budget and Accounting in the Department of the Treasury the amount necessary to be raised by taxation for those purposes, which is to be assessed, levied and collected for and in the ensuing calendar year. The director shall, on or before March 1 following, calculate the amount in dollars to be assessed, levied and collected in each county as herein set forth. This calculation shall be based upon the corrected assessed valuation of each county for the year preceding the year in which the tax is to be assessed, but the tax shall be assessed, levied and collected upon the assessed valuation of the year in which the tax is assessed and levied. The director shall certify the amount to the county board of taxation and the treasurer of each county. The county board of taxation shall include the proper amount in the current tax levy of the several taxing districts of the county in proportion to the ratables ascertained for the current year.

24. For the purpose of complying with the provisions of the State Constitution, this act shall be submitted to the people at the general election to be held in the month of November, 1987. To inform the people of the contents of this act, it shall be the duty of the Secretary of State, after this section takes effect, and at least 15 days prior to the election, to cause this act to be published in at least 10 newspapers published in the State and to notify the clerk of each county of this State of the passage of this act, and the clerks respectively, in accordance with the instructions of the Secretary of State, shall have each of the ballots printed as follows:

If you approve the act entitled below, make a cross (X), plus (+), or check (✓) mark in the square opposite the word "Yes."

If you disapprove the act entitled below, make a cross (X), plus (+), or check (✓) mark in the square opposite the word "No."

If voting machines are used, a vote of "Yes" or "No" shall be equivalent to these markings respectively.

	Yes.	<p>NEW PRODUCT DEVELOPMENT BOND ISSUE</p> <p>Should the "New Technologies, New Jobs Act of 1987," which authorizes the State to issue bonds in the amount of \$20,000,000.00 to assist the development, commercialization and production of new products, by (1) capitalizing at \$10,000,000.00 the New Jersey Venture Investment Fund, which would assist new businesses to develop and commercialize new products and (2) capitalizing at \$10,000,000.00 the New Jersey Product Development Fund which would assist existing businesses to develop and commercialize new products, be approved?</p>
	No.	<p>INTERPRETIVE STATEMENT</p> <p>Approval of this act would authorize sale of \$20,000,000.00 of general obligation bonds of the State, of which \$10,000,000.00 would capitalize the New Jersey Venture Investment Fund and \$10,000,000.00 would capitalize the New Jersey Product Development Fund. The moneys in these funds would be used to invest in those efforts of new and established businesses to develop and commercialize new products for which reasonable private sector financing is not available and which would result in the creation of significant numbers of full-time nonseasonal jobs.</p>

The fact and date of the approval or passage of this act, as the case may be, may be inserted in the appropriate place after the title in the ballot. No other requirements of law as to notice or procedure, except as herein provided, need be adhered to.

The votes cast for and against the approval of this act, by ballot or voting machine, shall be counted and the result thereof returned by the election officer, and a canvass of the election had in the same manner as is provided for by law in the case of the election of a Governor, and the approval or disapproval of this act so determined shall be declared in the same manner as the result of an election for a Governor, and if there is a majority of all votes cast for and against it at the election in favor of the approval of this act, then all the provisions of this act not made effective theretofore shall take effect forthwith.

25. There is appropriated the sum of \$5,000.00 to the Department of State for expenses in connection with the publication of notice pursuant to section 24 of this act.

26. The authority shall submit to the State Treasurer a plan for the expenditure of funds pursuant to subsection a. of section 5 of this act from the New Jersey Venture Investment Fund for the upcoming fiscal year. The board shall submit to the State Treasurer a plan for the expenditure of funds pursuant to subsection b. of section 5 of this act from the New Jersey Product Development Fund for the upcoming fiscal year. Each plan shall include the following information: a performance evaluation of the expenditures made from the respective fund to date; a description of programs planned during the upcoming fiscal year; a copy of the regulations in force governing the operation of programs that are financed, in part or in whole, by moneys from the respective fund; and an estimate of expenditures for the upcoming fiscal year.

27. Immediately following the submission to the Legislature of the Governor's annual budget message, the authority and the board shall submit to the relevant committees of the Legislature, as designated by the President of Senate and Speaker of the General Assembly, and the Joint Budget Oversight Committee, or its successor, a copy of each of the two plans called for under section 26 of this act, together with any changes in the plans required by the Governor's budget message.

28. Not less than 30 days prior to the authority or the board entering into any contract, lease, obligation, or agreement to effectuate the purposes of this act, the authority or the board, as the case may be, shall report to and consult with the Joint Budget Oversight Committee, or its successor.

29. This section and sections 24 and 25 of this act shall take effect immediately and the remainder of the act shall take effect as provided in section 24.

#### STATEMENT

This measure would authorize, upon approval of the voters, the sale of State bonds, in the aggregate amount of \$20,000,000.00 to assist the development, commercialization and production of new products, by (1) capitalizing, at \$10,000,000.00, the New Jersey Venture Investment Fund, which would assist new businesses to develop and commercialize new products and (2) capitalizing, at \$10,000,000.00, the New Jersey Product Development Fund which would assist existing businesses to develop and commercialize new products. The moneys in these funds would be used to invest in those efforts of new and established businesses to develop and commercialize new products for which reasonable private sector financing is not available and which would result in the creation of significant numbers of full-time nonseasonal jobs.

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 ECONOMIC DEVELOPMENT

Designated the "New Technologies, New Jobs Act of 1987," authorizes bonds for \$20 million <sup>and</sup> appropriates \$5,000.

11-4187  
Public Information  
Copy

ECONOMIC DEVELOPMENT

AN ACT authorizing the creation of a debt of the State of New Jersey by the issuance of bonds in the sum of \$20,000,000.00 for the purpose of providing funds for the New Jersey Venture Investment Fund and the New Jersey Product Development Fund; providing the ways and means to pay the interest on this debt and also to pay and discharge the principal thereof; providing for the refinancing of any or all of these bonds under certain circumstances; providing for the submission of this act to the people at a general election; and making an appropriation therefor.

ASSEMBLY BILL  
No. 1124  
Introduced by  
Mr. [Signature]  
Date 6/4/84  
AEA

Prime 1 [Signature]  
Prime 2 [Signature]

APPROVED AS TO FORM  
OFFICE OF LEGISLATIVE SERVICES

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ASSEMBLYMAN JOSEPH AZZOLINA (Chairman): Okay. I'd like to continue the meeting. We have a public hearing on Franks' bill, A-4184 -- Assemblyman Franks' bill. Okay?

Now, we have a problem. Collins will be right back; he went to a meeting. I've got to leave at some point and come back. And I think you have to leave at some point, and you'll come back if you can. (speaking to member of the Committee)

ASSEMBLYMAN HENDRICKSON: I'm the only guy who doesn't have to leave and come back.

ASSEMBLYMAN AZZOLINA: Well, you already left and came back. We did the whole agenda already. Okay?

ASSEMBLYMAN HENDRICKSON: I didn't expect that from you, Chairman.

ASSEMBLYMAN AZZOLINA: So, we're not going to vote on this bill today, since it's a public hearing. We can't vote on it, because it is a public hearing. Okay? Now, Assemblyman Franks is not here, but I'd like to start because it's already 20 'till eleven. So who wants to-- Do you want to describe the bill first?

MR. WILLIAMS (Committee Aide): Assembly bill 4184, sponsored by Assemblymen Franks and Hudak. This measure would authorize, upon approval of the voters, the sale of State bonds in the aggregate amount of \$20 million to assist the development, commercialization, and production of new products, by:

- 1) Capitalizing at \$10 million the New Jersey Venture Investment Fund, which would assist new businesses to develop and commercialize new products; and
- 2) Capitalizing at \$10 million the New Jersey Product Development Fund, which would assist businesses to develop and commercialize new products -- existing businesses.

The moneys in these funds would be used to invest in those efforts of new and established businesses to develop and commercialize new products which would result in the creation

of significant numbers of full-time non-seasonal jobs, and for which financial aid is necessary because funding is unavailable in the traditional capital markets, or because funding has been offered only on terms which would substantively hinder the success of the project.

I should note that this bond bill goes together with Assembly Bill 3282, for which there is a draft substitute. That's particularly important because the bond bill provides the \$10 million for the Venture Investment Fund, which the present version of A-3282 has. And then, in addition, the product development fund has been added into the bill in the substitute. Copies of the draft are available.

ASSEMBLYMAN AZZOLINA: Okay. Assemblyman Franks, would you like to make some comments? Talk into the mike, because it's being recorded.

A S S E M B L Y M A N R O B E R T D. F R A N K S: Mr. Chairman, members of the Committee, thank you very much. The manufacturing sector plays a vitally important role in the health of New Jersey's economy. It has been, and continues to be, a source of high-paying employment for a large portion of our work force, and an essential foundation for the rest of our State's economy. Since 1979, New Jersey has lost over 100,000 jobs in the manufacturing sector. One thousand manufacturing plants have closed in the last six years.

ASSEMBLYMAN AZZOLINA: One thousand?

ASSEMBLYMAN FRANKS: One thousand.

ASSEMBLYMAN AZZOLINA: Plants?

ASSEMBLYMAN FRANKS: Between 1981 and 1986, 139,000 manufacturing workers were displaced by plant closings. It is reported that 35% of those displaced workers did not find new employment in New Jersey.

New Jersey has one of the lowest unemployment rates at some 4%. However, statistics have shown the manufacturing sector has not shared equally in these relatively low

unemployment levels. Rather, there's been a shift in the types of employment, generally to those in the service sector.

This shift in our economy narrows the base on which we can rely, and moves in the direction of limited diversity for our economy. New Jersey will be less prepared to respond in a flexible manner to the economic cycles that inevitably will affect us in coming years. We need to take action to protect our vibrant economy through assisting the manufacturing sector. Thus, we are setting forth a proposal that would allow the private sector to grow by creating opportunities for new products, by providing financial aid from the product development fund to which these bond proceeds will be deposited.

The applicant, in order to qualify for financial aid, must meet certain criteria. First, the applicant is an existing business that has been operating for more than three years; secondly, the applicant has a reasonable chance of success; thirdly, the financial aid is necessary to the success of the applicant because funding for the applicant is unavailable in the traditional capital market, or because funding has been offered only on terms which would substantially hinder the success of the project.

There are several other criteria, Mr. Chairman. I think they're adequately spelled out in the bill.

Let me simply summarize by saying that this proposal, in my judgment, is critical to bolstering manufacturing in New Jersey, and crucial to restoring a balanced economy by helping existing manufacturers to expand their businesses.

Most importantly, it would help to revitalize the manufacturing sector, which has never really recovered from the decline which began in the 1970s, by creating and sustaining jobs in the manufacturing sector of New Jersey's economy.

Mr. Chairman, I thank you for giving attention to this bill, and your diligent efforts on behalf of it. We've combined certain components of the various proposals that were

before the Committee the last time we discussed this issue. I've continued to work with OLS and with members of Union County, where Mr. Hudak and I hail from. And, I am confident that this bill legitimately will serve the interests of the private sector economy in New Jersey.

I am one, normally, very reticent, Mr. Chairman, to believe that the public has an ongoing role in assisting private businesses. But, I think that if you trace the decline of the manufacturing sector of this State's economy, that exigency cries out for an unusual and unprecedented response. If we don't give active assistance to the manufacturing sector, it will continue to decline in this State, and its decline puts our continuing economic prosperity at risk.

I have run into too many businesses -- particularly small manufacturing entities -- which will not expand into new product development because the financing is either unavailable or made available only on terms which a business owner is not prepared to agree to.

Bottom line is, either the new products are not made in New Jersey, the businesses either go to another state, or worse yet, go offshore and contribute to our balance of trade problem.

So, I would ask, Mr. Chairman, that we carefully give consideration to this proposal, and hope that we can see some success through the legislative process.

ASSEMBLYMAN AZZOLINA: Thank you very much.

ASSEMBLYMAN HUDAK: Mr. Chairman, I want to add that I was delighted to cosponsor this with Assemblyman Franks. To give you an illustration of what's really happening in the manufacturing sector in this State, in my own city of Linden, in my tenure as Mayor I have seen the manufacturing jobs in three companies on our waterfront go down from 12,000 manufacturing jobs to less than 1000 -- primarily, in the chemical industries.

But, there are many other industries that have suffered or have experienced -- maybe not such a drastic decline, but -- a decline. I think this is at least one step in the direction of restoring some of the manufacturing jobs that we have lost in the past. And, hopefully that whatever money we make available to some of our new industries, that we can recover some of those jobs that we have lost over the years. It's going to be difficult to recover all of them. In fact, I think it's whistling in the dark that we're going to recover all of these jobs. I think this bill goes a long way -- the first step -- into getting back into the manufacturing area and recovering some of those jobs while they're needed by many of our residents in our State. They all can't go and work in the service sector. They can't all work at McDonald's, and shining floors, and things of that nature.

So, I have to congratulate Assemblyman Franks for presenting this type of legislation.

ASSEMBLYMAN AZZOLINA: Thank you very much.

ASSEMBLYMAN HENDRICKSON: Can I ask a question, George? Did those companies leave the State, or did they just close and walk away?

ASSEMBLYMAN HUDAK: No, they didn't leave. They're still in the business, because of the ECRA laws and whatever you have in that regard. But still, when you see a decline like that--

ASSEMBLYMAN HENDRICKSON: You still haven't replaced the jobs.

ASSEMBLYMAN HUDAK: --in one city-- Now, the city of Linden is not unusual. It's happening in Perth Amboy, it's happening in Elizabeth, happened in Plainfield, happened in, you know, many of our areas.

So, I think it's important that we at least come to grips and start somewhere. And, I think this is the first important legislation that will do something.

ASSEMBLYMAN AZZOLINA: Thank you very much.

ASSEMBLYMAN FRANKS: Mr. Chairman, one last thank you, if I might, to OLS, to Greg Williams, to Deb Smarth, and most importantly, I think, to the Union County Economic Development Corporation with Ralph Klopper and Bill Franklin -- both of whom are in attendance today -- without whose input and able assistance there would not be legislation before the Committee today. And, I thank them.

ASSEMBLYMAN AZZOLINA: Why don't you stay put, and we're going to call on them. Who wants to be first?

R A L P H S. K L O P P E R: Chairman Azzolina, Committee members, my name is Ralph Klopper, and I'm Executive Director of the Union County Economic Development Corporation.

The bill before this Committee, A-4184, to finance the two programs embodied in Assembly in the substitute A-3282 has our full support. We've been sort of interested in it for a number of years now. Since both bills are really quite clear and necessary in our view, rather than talk about them, I would like to offer a little perspective, particularly since Assemblyman Franks did such a great job of hitting the high points.

Without belaboring the obvious, if you pay any attention to New Jersey statistics, Bob mentioned that New Jersey has lost in the last few years 1000 manufacturers. That is a net figure. That is not just out without worrying about what came in. That is the net bottom line number. And, that 1000 manufacturers has cost 100,000 manufacturing jobs.

Since this legislation is in a small way addressing the New Jersey manufacturer problem, a little perspective might be helpful if any of you or any of us are concerned about trailblazing or sailing on uncharted waters. The State of Connecticut has had one of the two key programs in A-3282 dealing with new product development and marketing assistance, that's been in place and functioning for ten years now, although the latter six years have been the most productive.

Through last year, they funded new product development with 65 companies for a total of over \$17 million. Last year, in that one year -- that's '86 -- they approved eight projects for a total of 3.3 million. Their return on investment has been running 19%, and it's going to increase as more and more of these sponsored new products come on-line and are marketed. Over 1000 new full-time jobs have been created, which also should increase substantially, since the program is geared to initial research and development, as well as marketing and production. Their program is self-sustaining, and their administrative costs are well covered by royalty income.

There is a primacy about manufacturing in our economy, and there is no long-term substitute for it. And, it's very clearly threatened in this State -- in New Jersey -- with sooner or later, very negative effects on our economy. Hopefully, we can begin to address the problem soon with these two bills. Thank you.

ASSEMBLYMAN AZZOLINA: Thank you very much. Any questions? Okay, next speaker--

While we're waiting, just in case anyone has to leave, on June 25th we're going to have a joint hearing with the Assembly Education Committee on adult literacy as it relates to economic development. A joint hearing of this Committee and the Assembly Education Committee. So--

ASSEMBLYMAN HENDRICKSON: What time?

ASSEMBLYMAN AZZOLINA: Nine forty-five. Adult illiteracy is a real serious problem in this State.

ASSEMBLYMAN HENDRICKSON: Thank you.

ASSEMBLYMAN AZZOLINA: Mr. Broner?

DR. A D A M B R O N E R: Mr. Chairman and members of the Committee, my name is Adam Broner, and I'm the Director of the Office of Economic Policy and the Economic Policy Council's Secretary. I am here -- since we are located in the Department of Commerce and Economic Development -- I want to make clear

that I am here speaking for the Office and the Economic Policy Council, not the Department.

I want to share very strongly the concerns about the decline of the manufacturing sector. We have done several studies over the years on that subject, and we call attention of both the Executive and the Legislature to this very important issue.

There are not only economic issues involved, but social issues that you care probably much more than economists do. But, it so happens that in our office we pay very close attention to that subject.

I have some questions about the two bills which I think I will just raise, and see whether they can be improved.

On the bill that is dealing -- the first part of the bill that is dealing-- 3282, which is dealing with the, let me call it, venture capital fund, I would like to see a much better justification rationale, if you want, for the establishment of that fund. The issue that's appearing in my mind as a question is, since the bill is talking about private capital being involved in it and probably the public sector not even taking a lion's share in any particular project, the question is why should the public sector get involved, if private capital is there already? I think that has to be much better justified to show the cases in which there is a need for the public sector to participate as well.

The second part of the bill is also causing me a question. Namely, there we are talking about companies that already are in business at least three years. I would think that where the public sector really needs to help is in those cases in which an inventor -- and by the way, I have to say that I do not only refer to high technology; any invention -- any consumer good is good that can be manufactured in New Jersey and sold here and in other states. So, what I am saying is, any inventor that is starting his idea and is struggling

through all the phases of developing into a product, needs a lot of help.

I have to say so that you will see that I have a little bit of an interest, I have pushed through the Legislature, if I can say so, years ago a bill, with the help of many legislators on both sides of aisle, that was dealing with that particular issue of helping inventors get through all the difficult phases where they don't have any bank that will support them, they don't any venture capital that will support them; all they can count on is a rich uncle if they have him. And if they don't have, they go on for years and years struggling with maybe very good ideas that can be produced here, but they cannot come to fruition. So, I think that is the clientele that needs to be helped.

And, in the second part of that bill, unfortunately, we're talking about companies that have already existed for three years. So, that's not the kind of person -- or inventor I call him -- that needs really the most help. I'm not saying that the companies with three years may not need help -- that's a different subject -- but I would like to bring in that rationale that that is really the kind of person or the kind of future company that needs most of the help.

I also want to stress that in the bill that I was referring to that was a law here for several years back -- it created an OPTI office -- Office for Promoting Technical Innovation -- and it has the task of assisting those inventors and bringing together all the necessary ingredients to make an invention a product produced in New Jersey.

That idea I would still like to somehow resurrect, I think, if I can say so, because I think that these people need not only financial assistance, they also need some other assistance -- technical in some cases-- For example, an engineer may invent something but there are some chemical parts that he is on in the electronic side, and he may need some

combination of other professions to solve some technical problems.

They also need some marketing assistance, because most of those inventors don't know how to go about bringing that product to the market, how to present it, and so on. They may need organizational, managerial help, and so on.

So, that was the idea at that time. It has expired. That office doesn't exist anymore. But I think that somehow, the part that is dealing with assisting the inventor in those difficult first-phases of development need to be addressed also on these bills. Thank you.

ASSEMBLYMAN AZZOLINA: Okay. Thank you very much. Any questions?

ASSEMBLYMAN HUDAK: Mr. Chairman, I agree with many of the points that Mr. Broner brought out today, but in my own community we made a study -- Economic Development and Retention Study -- and we found out that it was a lot easier to assist companies that were struggling or just barely keeping their head above water, to assist them because they're already there; because they're not new. They already have products that they're working on. They just need that little extra assistance that wasn't readily available to them from banking sources, and whatever other sources.

We just thought it was important that we assist them and keep them. We know that they're there already, and it's a lot easier to keep the companies we have with just a little bit of assistance. Clearly, these can provide money for that. I think that this is the type of moneys that will be made available to those marginal companies that are on the verge of either moving out because of a better market, better working conditions, or labor, or what have you. I think that this is very important.

And, I agree with many of the points that you brought out, but I think that this is a first step in alleviating some

of the problems that smaller companies are facing in the northeast, especially in my district.

DR. BRONER: Let me respond, Mr. Chairman, very briefly. I agree with one part when you said that these young companies need help. And I did not intend to say that -- no, I even said that I have nothing against it. But, the point I'm making is from zero to three years, these could also be companies struggling and needing help. And unfortunately, they were excluded in the second part of the bill. And that's what I am really after.

And, I even went beyond the zero point where it's before zero, where there's only an inventor, and he hasn't a company yet, but he has a good idea--

ASSEMBLYMAN HUDAK: I agree.

DR. BRONER: All right. So, that's all I have to say.

ASSEMBLYMAN HENDRICKSON: Mr. Chairman, if I may. You know, I agree with anything we can do to attract new or help the new to establish new industry, new hi-tech. Basically, we're talking about jobs, we're talking about the economy, we're talking about people. I think maybe you ought to sit down with the Chairman and some of our staff and go over your ideas, and maybe there can be another bill addressed, that somebody's willing to sponsor on your side.

But I think you're mixing apples and oranges. I don't think we can take one bill and address all the needs as you say. Although, I agree with the need out there -- partially agree until I see more of it -- but I think we need these companies. And, I come from Union County. Whatever help they may need in R&D -- research and development -- or just new technology for manufacturing -- if they did it too slow -- in order to keep them on track more, and make them bigger. I think that's one avenue we have to go. And perhaps the other avenue that you're talking about is new inventions and new jobs.

ASSEMBLYMAN MARSELLA: You have a concern about inventors -- new inventors, and new product lines coming from these inventors. Is there any assistance that we do give a person that has a good idea, to assist them? Is there any place they can go in regard to that? I mean, there's people who have called and said, "I have a good idea," -- in my legislative office -- "how do I go about all the processes?" And the other thing I do is refer them to a patent type of attorney, who then wants a lot of dollars in regard to getting the deal put together. Is there any place you know of where they can go? I mean in regard to this bill. I mean, this bill's the new jobs--

DR. BRONER: I have heard lately that some small entity at Rutgers University apparently is claiming that they provide such a system. I think it's so small, probably -- and I don't want to talk for them, because I don't know too much-- But, the same idea that you mentioned, and I agree. That's why we created the Office for Promoting Technical Innovations years ago. And it worked for a couple of years-- It had a sunset provision for five years, and then was let go, I personally think not correctly, but, other people decided about it.

So, what I'm saying is there is not much help. You put your finger right at the place where you're saying that the patent lawyer and some other -- I don't want to say con men, but close to it -- where they will take \$1000 or \$1500 from the guy--

ASSEMBLYMAN MARSELLA: Which the guy doesn't have.

DR. BRONER: Yes. Well, even if he had it; if he borrows it, they'll send out a couple of letters here and there for that money, but that's about all they can get.

ASSEMBLYMAN AZZOLINA: All right, we're getting away a little. One more question.

ASSEMBLYMAN HUDAK: The point I'd like to bring out is Mr. Broner is correct in many of his statements. Maybe he is;

I'd like to check up on his suggestions. Perhaps maybe he should work with this Committee. And maybe help draft legislation.

ASSEMBLYMAN AZZOLINA: Why don't you meet with Deb Smarth and see if there is something that we can do in that direction. Okay?

DR. BRONER: I'll be glad to.

ASSEMBLYMAN HENDRICKSON: Give them the statistics of your first five years, and give us some good background as to why.

ASSEMBLYMAN AZZOLINA: Okay?

DR. BRONER: Okay. Thank you.

ASSEMBLYMAN AZZOLINA: Very good. Thank you.

Any other speakers? Mr. Franklin, did you want to speak?

W I L L I A M F R A N K L I N: My name is Bill Franklin, and I'm a Director of the Union County Economic Development Corporation, and I also own a few manufacturing companies, which I also operate here in New Jersey.

When I first heard of this bill -- or heard of the bill that they had been using in Connecticut -- I urged our Economic Development Corporation to pursue it here for the State of New Jersey.

Mr. Klopper has covered it very thoroughly, and there is only one other point in his favor I'd like to elaborate on, and that is we have substantial employment here in New Jersey today due to procurement orders coming in from the Department of Defense in Washington. There is no guarantee that these are going to continue to be coming to New Jersey. There's no guarantee that that amount of money in Washington being spent on procurement for Defense is going to continue.

When such time occurs that there is a decline in those procurement dollars, it's going to affect our employment here. And, by having this bill already in action, the corporations

that are affected by the decline in Defense business will be able to shift gears, and with the help of this bill recreate some more jobs for manufacturing.

This is one point I'd like to add.

ASSEMBLYMAN AZZOLINA: Thank you very much. Any questions? Anybody else want to testify on the bill? Okay, the public hearing is over.

ASSEMBLYMAN MARSELLA: One thing before it's over, Mr. Chairman. This seems like it's a real important bill, and I don't know whether we're scheduled to meet before we go on recess.

ASSEMBLYMAN AZZOLINA: We have a meeting on the 25th on adult literacy.

ASSEMBLYMAN MARSELLA: Okay, but the only point I'd like to make is if it's going to go on the bond for this year--

ASSEMBLYMAN AZZOLINA: Well, can we vote on it -- is it enough days? (speaking to aide)

ASSEMBLYMAN MARSELLA: I don't think we can vote on it today.

ASSEMBLYMAN AZZOLINA: No, no.

ASSEMBLYMAN MARSELLA: Can we have a special meeting?

ASSEMBLYMAN AZZOLINA: Can we vote on it on the 25th? (affirmative response) All right, why don't we vote on it on the 25th?

ASSEMBLYMAN MARSELLA: We have to have enough days to have it posted by the Speaker, and then it goes over to the Senate. There's a cutoff on this, Fred? The cutoff on this would be what, August?

MR. BUTLER (Partisan Staff Aide): No, it's September; the printing deadline for the ballots for the general election. But it does have to go through a lot of other steps.

ASSEMBLYMAN AZZOLINA: Yeah. The problem is we're not going to have many sessions. See, we have our last session the 28th, (sic) I believe.

ASSEMBLYMAN HUDAK: I believe that if we did it as an Assembly on the 25th -- our Committee -- it only gives us three days. I do know that the Senate is intending to come back sometime in August, I believe.

ASSEMBLYMAN AZZOLINA: Well, I'm sure we'll be back-- (confers with aides) On that day, we're going to put it up for a vote.

MEMBER OF COMMITTEE: Oh, in the Assembly?

ASSEMBLYMAN AZZOLINA: No, no in here. In the Committee.

ASSEMBLYMAN MARSELLA: Yeah, the 25th. But I'd be willing, if you wanted to, next Thursday have a special meeting in the back or in one of the caucus rooms.

ASSEMBLYMAN AZZOLINA: How many days do you have to have to do this -- can you vote on after the public hearing?

MS. SMARTH (Partisan Staff Aide): Well, the transcript has to be available for the full Assembly.

MR. WILLIAMS: Not really.

ASSEMBLYMAN AZZOLINA: To vote on it?

MS SMARTH: For the full Assembly.

ASSEMBLYMAN AZZOLINA: Oh, but we can vote it out. Can we vote it out today?

MS. SMARTH: No, we can't vote it out today.

ASSEMBLYMAN AZZOLINA: Do we have to wait for the transcript to vote it out.

MR. WILLIAMS: Not to vote it out.

ASSEMBLYMAN AZZOLINA: Okay. But when will the transcript be available.

MR. WILLIAMS: Well, this would be given a priority. This is a rush.

ASSEMBLYMAN AZZOLINA: Okay, and we'll see if it can be voted on in our last session, then. All right, what we'll do is have a quickie-- Can we have a meeting-- Can we announce a meeting for next Thursday? Or we can't, we don't have enough days?

MR. WILLIAMS: Yeah, five days.

ASSEMBLYMAN MARSELLA: Why don't you talk to the leadership today, and say, "Look, this is an important bill--"

ASSEMBLYMAN AZZOLINA: Yeah, we'll just have a fast meeting in some room, just to vote this out. At least to get it out of this house and then get it over there.

(HEARING CONCLUDED)

APPENDIX



New Jersey State Legislature  
ASSEMBLY ECONOMIC DEVELOPMENT  
AND AGRICULTURE COMMITTEE  
STATE HOUSE ANNEX, CN-068  
TRENTON, NEW JERSEY 08625  
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ANTHONY S. MARSELLA

MEMORANDUM

March 4, 1987

TO: Members of the Assembly Economic Development and  
Agriculture Task Force

FROM: Gregory L. Williams

SUBJECT: State-sponsored venture capital investment programs in  
other states.

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As of May, 1986, 21 states had established venture capital investment programs operated by public agencies or quasi public entities. Six states had initiated (through tax credits or other means) privately-operated venture capital investment funds. Most of these programs were adopted during the preceding three or four years. Generally, they have involved public expenditures of several million dollars per year, but in some cases, more.

The purpose of these programs has been to provide long term equity investments for high risk undertakings, usually small manufacturing firms in their beginning stages or small and medium sized manufacturing firms involved in major expansions, the introduction of new products, or changes of ownership. Most of the programs involve making investments through ownership interests in the firm being financed, but seven states have public or quasi public programs which invest in specific new products rather than in a company as a whole and accept commitments for royalty payments in return.

The rationale usually given for focussing attention on relatively small companies is:

1. That small growth companies have been alleged to be responsible for most net job growth in recent years.

2. That it is often unproductive to aim state government incentives at large Fortune 500 companies which may be less rooted in the local economy than small indigenous firms and more likely to relocate in search of greater incentives elsewhere, and

3. That traditional loan financing may be too burdensome for firms which are in their early stages of development and therefor in need of the "patient capital" of equity investments (It might be added that in New Jersey even if a manufacturing firm is seeking traditional loan financing for expansion, it may encounter greater than average difficulty. In 1984, the State's per capita rate of commercial and industrial loans was only 71% of the national rate, while all of the surrounding states had rates higher than the national rate, some with per capita loan rates several times greater than the national average).

Why should public resources be committed to venture capital investments when more than ten billion dollars are already available for such investments from private venture capitalists? Advocates of such programs point to the fact that nearly three quarters of all venture capital investments are made to companies located in the top four states. Tables I and II show how New Jersey compared to the leading states in venture capital resources and commitments during 1984.

TABLE I  
VENTURE CAPITAL RESOURCES FOR  
LEADING STATES AND NEW JERSEY, 1984

STATE	RESOURCES (in millions)	RESOURCES PER CAPITA
California	\$5296	\$210.38
New York	\$3262	\$185.64
Massachusetts	\$2054	\$356.16
Illinois	\$863	\$75.13
Connecticut	\$794	\$253.03
Texas	\$775	\$49.29
NEW JERSEY*	\$285	\$38.16

(\*Ranks tenth)

TABLE II  
VENTURE CAPITAL COMMITMENTS FOR  
LEADING STATES AND NEW JERSEY, 1984

STATE	COMMITMENTS (in millions)	COMMITMENTS PER CAPITA
California	\$1184.4	\$46.89
New York	\$639.1	\$36.17
Massachusetts	\$481.0	\$83.41
Connecticut	\$196.7	\$62.68
Illinois	\$144.9	\$12.62
Maryland	\$103.2	\$23.98
NEW JERSEY*	\$37.8	\$5.06

(\*Ranks tenth)

Proponents of a greater role for the states in venture capital activity also argue that the total volume of venture capital for the whole nation is minuscule when compared to the capital in publicly traded corporations. Only 1.2% of all U.S. corporations are publicly traded, but, in 1983, the total assets of the Fortune 500 industrials (which comprise a small fraction of that 1.2%) were \$1.4 trillion compared to total assets of \$13 billion for all U.S. venture capital firms and small business investment companies combined.

Of course, it may be that smaller firms, which are usually less capital-intensive, simply are not interested in or can not make effective use of more equity capital than has been available. In response to this, surveys of small businesses and start-up entrepreneurs have been conducted in various states concerning their perceptions of their need for capital investment. A recurring theme is that it is difficult to get start-up capital in the earlier stages of a business's development. Venture capitalists are alleged to almost never make investments of less than \$300,000 and usually do not make investments of much under \$1 million. This has been a commonly stated rationale for state support of "seed capital" investment funds. Even here, opponents of such programs argue that the businesses which can not get financing in the market probably do not merit special assistance from government.

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Less evidence is available concerning "capital gaps" for more established small and middle sized companies seeking financing for new product development or expanded operations generally. In 1985, the Wisconsin state government conducted a survey of small to medium size privately held manufacturing firms with significant employment growth. From the results of the survey it was concluded that somewhat more than half of the firms had no interest in obtaining equity finance, but that more than a third of the firms felt that the cost of equity finance was either too high or involved giving up control to outsiders (these complaints have been echoed by a number of New Jersey manufacturers as well). It was recommended that a state product development corporation be created modeled on the existing Connecticut program. The Massachusetts Commission on the Future of Mature Industries recommended a similar program for that state, which already has one of the more successful seed capital programs, the Massachusetts Technology Development Corporation. But overall, most states with venture capital programs have targeted these programs more at start up companies than at established firms.