

NJ
10
E19
1988c

PUBLIC HEARING

before

ASSEMBLY ECONOMIC GROWTH, AGRICULTURE AND TOURISM COMMITTEE

ASSEMBLY BILL NO. 111

(Creates the New Jersey Venture Investment Fund)

and

ASSEMBLY BILL NO. 1830

(Designated "New Products, New Jobs Act of 1987,"
authorizes bonds for \$20 million, and appropriates \$5,000)

November 10, 1988
Room 368
State House Annex
Trenton, New Jersey

MEMBERS OF COMMITTEE PRESENT:

Assemblyman Jack Collins, Chairman
Assemblyman Frank A. LoBiondo, Vice Chairman
Assemblyman Anthony S. Marsella
Assemblyman Edward H. Salmon

ALSO PRESENT:

Amy E. Melick
Office of Legislative Services
Aide, Assembly Economic Growth,
Agriculture and Tourism Committee

* * * * *

Hearing Recorded and Transcribed by
Office of Legislative Services
Public Information Office
Hearing Unit
State House Annex
CN 068
Trenton, New Jersey 08625

New Jersey State Library



JACK COLLINS
CHAIRMAN
FRANK A. LOBIONDO
VICE-CHAIRMAN
JOHN T. HENDRICKSON, JR.
ANTHONY S. MARSELLA
EDWARD H. SALMON

New Jersey State Legislature
ASSEMBLY ECONOMIC GROWTH, AGRICULTURE
AND TOURISM COMMITTEE

STATE HOUSE ANNEX, CN-068
TRENTON, NEW JERSEY 08625
TELEPHONE: (609) 984-7381

MEMORANDUM

November 1, 1988

TO: MEMBERS OF THE ASSEMBLY ECONOMIC GROWTH,
AGRICULTURE AND TOURISM COMMITTEE

FROM: ASSEMBLYMAN JACK COLLINS, CHAIRMAN

SUBJECT: PUBLIC HEARING - THURSDAY, NOVEMBER 10, 1988

(Address comments and questions to Amy E. Melick, Committee Aide, (609) 984-7381.)

The Assembly Economic Growth, Agriculture and Tourism Committee will hold a public hearing on Thursday, November 10, 1988 at 1:00 p.m. in Room 368 of the State House Annex on the following bills:

A-111 Franks	Creates the New Jersey Venture Investment Fund.
A-1830 Franks/ Hudak	Designated "New Products, New Jobs Act of 1987," authorizes bonds for \$20 million, and appropriates \$5,000.

ASSEMBLY, No. 111
STATE OF NEW JERSEY

Introduced Pending Technical Review by Legislative Counsel
PRE-FILED FOR INTRODUCTION IN THE 1988 SESSION

By Assemblyman VILLANE

1 **AN ACT** promoting new product development and production
 and supplementing P.L. 1974, c. 80 (C. 34:1B-1 et seq.).

3

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

 1. The Legislature finds and declares that:

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

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

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

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

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

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

1 2. As used in this act:

3 a. "Advisory board" means the Venture Investment and
Product Development Advisory Board established pursuant to
section 9 of this act.

5 b. "Co-venture investment" means a seed capital investment
by the authority in qualified securities of an enterprise which is
7 made in conjunction with one or more professional investors or
seed capital investors who or which are also making equity
9 investments in that enterprise, as provided in this act.

c. "Development and commercialization" means:

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

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

17 (3) The initial in marketing of the new product.

19 d. "Enterprise" means an individual, or a corporation,
partnership, joint venture, unincorporated association, or other
business.

21 e. "Primary employment" means work which pays at least
one and one-half times the minimum wage as defined in section
23 5 of P.L. 1966, c. 113 (C. 34:11-56a4) or as established by
federal law, whichever is higher, provides health insurance, and
25 is not seasonal or part-time.

27 f. "Product fund" means the New Jersey Product
Development Fund established pursuant to section 6 of this act.

29 g. "Professional investor" means any bank; bank holding
company; savings institution; trust company; credit union;
insurance company; investment company registered under the
31 federal "Investment Company Act of 1940," 54 Stat. 789 (15
U.S.C. § 80a-1 et seq.), as amended; pension or profit-sharing
33 trust or other financial institution or institutional buyer;
licensee under the federal "Small Business Investment Act of
35 1958," Pub. L. 85-699, 72 Stat. 689 (15 U.S.C. § 661 et seq.), as
amended; or any enterprise the principal business of which is
37 making venture capital investments and which has a net worth
exceeding \$250,000.00.

1 h. "Qualified security" means any note, stock, convertible
2 security, treasury stock, bond, debenture, evidence of
3 indebtedness, limited partnership interest, certificate of
4 interest or participation in any profit-sharing agreement,
5 preorganization certificate or subscription, transferable share,
6 investment contract, certificate of deposit for a security,
7 certificate of interest or participation in a patent or application
8 therefor, or in royalty or other payments under the patent or
9 application therefor, or, in general, any interest or instrument
10 commonly known as a "security" or any certificate for, receipt
11 for, guarantee of, or option, warrant or right to subscribe to or
12 purchase any of the foregoing.

13 i. "Seed capital" means investments in the qualified
14 securities of an enterprise that are provided for the
15 development and commercialization of a new product.

16 j. "Seed capital investor" means any individual, partnership,
17 corporation, trust or other entity, except for a professional
18 investor, making a seed capital investment.

19 k. "Venture fund" means the New Jersey Venture Investment
20 Fund established pursuant to section 3 of this act.

21 3. a. The authority shall establish and maintain a continuing
22 and nonlapsing, special depository fund called the New Jersey
23 Venture Investment Fund, into which shall be deposited moneys
24 to be used by the authority for the purposes specified in and
25 according to the procedures established in sections 3 through 5
26 of this act. Moneys deposited into the venture fund shall
27 include, but not be limited to:

28 (1) Proceeds from the sale of bonds authorized by the State to
29 effectuate the purposes of sections 3 through 5 of this act;

30 (2) Appropriations made by the Legislature to effectuate the
31 purposes of sections 3 through 5 of this act;

32 (3) Dividends, returns on capital gains and royalty or other
33 payments received by the authority in connection with
34 investments made pursuant to sections 4 and 5 of this act;

35 (4) Interest or other income derived from investments of
36 moneys in the venture fund made pursuant to subsection b. of
37 this section;

1 (5) Fees collected from applicants pursuant to subsection c. of
this section and section 5 of this act; and

3 (6) Other moneys made available to effectuate the purposes of
sections 3 through 5 of this act.

5 b. Moneys in the venture fund which are determined by the
authority not to be needed for the current responsibilities of the
7 venture fund, may be invested by the authority in any direct
obligations as to which the principal and interest thereof is
9 guaranteed by the United States of America or any other
obligation deemed appropriate by the authority. The authority
11 may appoint a director to manage the activities associated with
the venture fund. The director shall receive compensation as
13 determined by the authority.

c. The authority may charge fees in connection with the
15 providing of financial assistance from the venture fund as it
deems appropriate. To defray the administrative costs of the
17 program, the authority may use an amount it deems reasonable
from fees collected pursuant to this section or from any
19 appropriation to effectuate the purposes of this act.

4. The authority shall have, in addition to the powers
21 enumerated in section 5 of P.L. 1974, c. 80 (C. 34:1B-5), the
power to hold undivided or divided assigned interests in patents,
23 copyrights, trademarks, or other evidences of protection or
exclusively under the laws of the United States, this State or
25 any other nation or state to any new products and the following
powers concerning the investment and reinvestment of moneys
27 held in the venture fund:

a. To enter into, following consultation with the advisory
29 board, written agreement contracts, including limited
partnership agreements, with one or more professional investors
31 or seed capital investors for the purpose of establishing a pool of
funds to be used exclusively as seed capital, provided that the
33 amount of funds to be provided under each such agreement or
contract by the authority from the fund shall not exceed 25% of
35 the pool of funds to be established by such agreement or
contract. The authority shall not invest more than
37 \$2,000,000.00 in a pool or pools of funds.

1 The agreement or contract may provide for the pool of funds
2 to be managed by a professional investor. The manager may be
3 the general partner of a limited partnership of which the
4 authority is a limited partner.

5 Not more than \$500,000.00 in seed capital shall be provided
6 from the pool for any one enterprise, unless the authority
7 determines that additional investments of seed capital are
8 necessary to protect or enhance the initial investment from the
9 pool, in which case the total amount of seed capital from the
10 pool shall not exceed \$1,000,000.00.

11 The agreement or contract may provide for payment to the
12 manager of a percentage, not to exceed 20% computed on a
13 annual basis, of cash and other property payable to the authority
14 as its pro rata share of distributions to investors in the pool of
15 funds, provided that: (1) no amount shall be received by the
16 manager upon sale or other disposition of qualified securities in
17 any enterprise until recovery by the authority of the amount it
18 invested in the enterprise; (2) upon liquidation or withdrawal of
19 the authority from the pool of funds, the manager shall be
20 obligated to refund any amount received by it from such
21 percentage if necessary to allow the authority to recover its
22 investment; and (3) the terms of payment of cash and other
23 property to the authority are no less favorable to the authority
24 than payments to other seed capital investors or professional
25 investors other than the manager, who are parties to the
26 agreement or contract; and

27 b. To make a co-venture investment in qualified securities of
28 any enterprise so approved pursuant to section 5 of this act by
29 entering into agreements with one or more professional
30 investors or seed capital investors who agree to invest not less
31 than 50% of the amount that the authority invests in the
32 enterprise for the purpose of providing seed capital, but not
33 more than \$250,000.00 shall be invested by the authority in the
34 qualified securities of a single enterprise, unless the authority
35 determines that additional investments are necessary to protect
36 or enhance the authority's initial investment, in which case the
37 total invested by the authority may not exceed \$500,000.00.

1 Each co-venture investment agreement shall provide that the
authority will recover its investments prior to or simultaneously
3 with any distribution to participating professional investors or
seed capital investors. The authority and participating
5 professional investors and seed capital investors shall share
ratably in the profits earned in any form on such co-venture
7 investment.

5. a. An enterprise seeking a co-venture investment from
9 the venture fund or seed capital from a pool established
pursuant to subsection a. of section 4 of this act shall file an
11 application with the authority along with an application fee to
be determined by the authority. A valid application shall
13 contain a business plan, including a description of the enterprise
and its management; a statement of the amount, timing and
15 projected use of the capital required; a statement concerning
the feasibility of the proposed product and its state of
17 development and likelihood of commercial success; a statement
of the potential economic impact of the enterprise on the State,
19 including the number, location and types of jobs expected to be
created, and any other information required by the authority.

21 No application for a co-venture investment or seed capital
shall be approved until the authority consults with the advisory
23 board and determines that:

(1) The securities to be purchased are qualified securities;

25 (2) The enterprise, if not an individual, was established less
than five years prior to filing the application;

27 (3) The enterprise has a reasonable chance of success;

(4) Authority participation is necessary to the success of the
29 development and commercialization of the new product because
conventional, private funding is unavailable in the traditional
31 capital markets, or because funding has been offered only on
terms which would substantially hinder the success of the
33 development and commercialization of the new product;

(5) The entrepreneur, investors, shareholders, and other
35 founders of the enterprise have already made or are obligated to
make a substantial financial and time commitment to the
37 enterprise;

1 (6) The possible gains on the investment are at least
3 commensurate with the risk of loss and that there is a
5 reasonable possibility that the authority will recoup its initial
7 investment, within 10 years after such investment or such other
time period as negotiated by the authority, through the receipt
of dividends, returns on capital gains and royalty or other
payments received by the authority in connection with
investments made pursuant to sections 4 and 5 of this act;

9 (7) The new product for which the investment is being made is
feasible and has the potential to achieve commercial success;
11 that the enterprise has the reasonable potential to create a
substantial amount of full-time, nonseasonal employment per
13 dollar invested; and that the employment created because of the
investment will be located in the State, except for such
15 employment as the authority deems is needed for out-of-state
sales and distribution of the product, which shall not in any case
17 exceed 15% of the total amount of employment created. In
determining the feasibility and commercial viability of the new
19 product, the authority shall give consideration to any potential
for its eventual sale in export markets; and

21 (8) The enterprise is willing to make, prior to the investment
being made, binding commitments with the authority:

23 (a) For adequate reporting of financial data to the authority,
which shall include a requirement for an audit of the financial
25 records of the enterprise at least once each year;

27 (b) That all employment created because of the investment
shall be located in the State, except for such, employment as
the authority deems is needed for out-of-state sales and
29 distribution of the product, which shall not in any case exceed
15% of the total amount of employment created; and

31 (c) that the authority shall have sufficient contractual rights
as the authority shall deem prudent to protect the investment of
33 the authority and such contractual rights as are necessary to
guarantee compliance with the requirements of this section
35 regarding the location of employment created because of the
investment, including such penalties as the authority deems
37 appropriate for failing to locate the employment as required.

1 b. If the application is for seed capital from a pool established
3 pursuant to subsection a. of section 4 of this act, the
5 professional investor acting as manager of the pool shall, after
7 the authority makes the determinations required by subsection
9 a. of this section, decide whether to improve the application. If
11 the application is for a co-venture investment from the venture
13 fund, the authority shall decide whether to approve the
15 application.

9 6. a. The authority shall establish and maintain a continuing
11 and nonlapsing, special depository fund called the New Jersey
13 Product Development Fund, into which shall be deposited
15 moneys to be used by the authority for the purposes specified in
17 and according to the procedures established in sections 6
19 through 8 of this act. Moneys deposited into the product fund
21 shall include, but not be limited to:

17 (1) Proceeds from the sale of bonds authorized by the State to
19 effectuate the purposes of sections 6 through 8 of this act;

19 (2) Appropriations made by the Legislature to effectuate the
21 purposes of sections 6 through 8 of this act;

21 (3) Dividends, returns on capital gains and royalty or other
23 payments received by the authority in connection with
25 investments, made pursuant to sections 7 and 8 of this act;

23 (4) Interest or other income derived from investments of
25 moneys in the product fund made pursuant to subsection b. of
27 this section;

27 (5) Fees collected from applicants pursuant to subsection c. of
29 this section and section 8 of this act; and

29 (6) Other moneys made available to effectuate the purposes of
31 sections 6 through 8 of this act.

31 b. Moneys in the product fund which are determined by the
33 authority not to be needed for the current responsibilities of the
35 product fund, may be invested by the authority in any direct
37 obligations as to which the principal and interest thereof is
 guaranteed by the United States of America or any other
 obligation deemed appropriate by the authority. The authority
 may appoint a director to manage the activities associated with
 the product fund. The director shall receive compensation as
 determined by the authority.

1 c. The authority may charge fees in connection with the
2 providing of financial assistance from the product fund as it
3 deems appropriate. To defray the administrative costs of the
4 program, the authority may use an amount it deems reasonable
5 from fees collected pursuant to this section or from any
6 appropriation to effectuate the purposes of this act.

7 7. The purpose of the product fund is to encourage the
8 development and commercialization of new products in the
9 State through the provision of financial aid. In order to
10 implement the purpose of the product fund the authority shall,
11 pursuant to the provisions of section 8 of this act, provide from
12 the product fund to any applicant the authority deems
13 appropriate one or more of the following types of financial aid:

14 a. Loan guarantees;

15 b. Equity investments and;

16 c. Aid conditioned on commitments by the applicant to
17 provide royalties, options, contract rights or funds to the
18 product fund. The authority shall provide the type of financial
19 aid it deems appropriate except that any applicant who is
20 selected to receive financial aid pursuant to section 8 of this act
21 shall have the option of receiving the aid entirely as aid
22 conditioned on commitment by in the applicant to provide to the
23 product fund royalty payments from the sale of the product for
24 which the authority provided financial aid to develop and
25 commercialize. Not more than \$500,000 in financial aid shall be
26 provided by the authority from the product fund to any applicant
27 unless the authority determines that additional investments are
28 necessary to protect or enhance the authority's initial
29 investment, in which case the total amount of financial aid from
30 the product fund shall not exceed \$1,000,000.00.

31 8. a. Any application for financial aid from the product fund
32 shall be submitted to the authority in a form and manner
33 prescribed in regulations adopted by the authority along with all
34 application fee to be determined by the authority.

35 b. The authority shall not deem an applicant to be qualified
36 to receive financial aid unless the authority determines, upon
37 review of the application and consultation with the advisory
board, that:

- 1 (1) The applicant is a corporation, partnership, joint venture,
unincorporated association, or other business established five or
3 more years prior to filing the application;
- (2) The applicant has a reasonable chance of success;
- 5 (3) The financial aid is necessary to the success of the
development and commercialization of the new product because
7 funding is unavailable in the traditional capital markets, or
because funding has been offered only on terms which would
9 substantially hinder the success of the development and
commercialization of the new product;
- 11 (4) The applicant has made a substantial financial and time
commitment to the project or is obligated to do so;
- 13 (5) The possible gains which the authority may derive from the
applicant in refund for the financial aid are at least
15 commensurate with the risk of loss and that there is a
reasonable possibility that the authority will recoup at the least
17 the initial amount of the financial aid through dividends, returns
on capital gains, or royalty or other payments that would be
19 made to the product fund by the applicant;
- (6) The new product is feasible and has the potential to
21 achieve commercial success, that the applicant has the
reasonable potential to create a substantial amount of primary
23 employment through the development, commercialization and
production of the new product, and that the employment created
25 will be located in the State, except for such employment as the
authority deems is needed for out-of-state sales and distribution
27 of the product, which shall not in any case exceed 15% of the
total amount of employment created. In determining the
29 feasibility and commercial viability of the new product, the
authority shall give consideration to any potential for its
31 eventual sale in export markets; and.
- (7) The applicant is willing to make, prior to receiving the aid,
33 binding commitments with the authority:
- (a) For adequate reporting of financial data to the authority,
35 which shall include a requirement for an audit of the applicant's
financial records at least once each year;

1 (b) That all employment created through the development,
commercialization and production of the new product shall be
3 located within the State, except for such employment as the
authority deems is needed for out-of-state sales and distribution
5 of the product, which shall not in any case exceed 15% of the
total amount of employment created; and

7 (c) That the authority shall have sufficient contractual rights
as the authority shall deem prudent to protect the investment of
9 the product fund and contractual rights as are necessary to
guarantee compliance with the requirements of this section
11 regarding the location of employment created, including
penalties as the authority deems appropriate for failing to
13 locate the employment as required.

c. In determining which qualified applicants are to receive
15 financial aid, the authority shall give priority to, those
applicants whose proposed projects have the greatest likelihood
17 of creating the largest amount of primary employment in the
development, commercialization and production of the new
19 products relative to the amount of financial aid provided.

9. a. There is established in the Department of Commerce
21 and Economic Development, a Venture Investment and Product
Development Advisory Board. The board shall have nine
23 members as follows: the Commissioner of Commerce and
Economic Development who shall serve ex officio; and eight
25 members appointed by the Governor with the advice and consent
of the Senate for terms of three years, except, that of the eight
27 members first appointed by the Governor, three shall be
appointed for three years, three shall be appointed for two
29 years, and two shall be appointed for one year. Not more than
four of the members appointed by the Governor shall be of the
31 same political party. The members appointed by the Governor
shall include two individuals with experience in small businesses
33 involved in the development and commercialization of new
products or industrial processes, two individuals with research
35 and development experience in major established industries, and
two individuals with investment or financial experience related
37 to the development and commercialization of new products.
Each member shall hold office for the term of appointment and

1 until his successor is appointed and qualified. A member
appointed to fill a vacancy occurring in the membership of the
3 board for any reason other than the expiration of the term shall
have a term of appointment for the unexpired term only. All
5 vacancies shall be filled in the same manner as the original
appointment. Any member may be removed from office by the
7 Governor, for cause, after a hearing and may be suspended by
the Governor pending the completion of the hearing. Members
9 of the board shall serve without compensation, but shall be
reimbursed for necessary expenses incurred in the performance
11 of their duties as members. Action may be taken and motions
and resolutions may be adopted by the board at a board meeting
13 by an affirmative vote of not less than five members. As soon
as practicable, the members of the board shall select from
15 among themselves a chairman, vice-chairman and treasurer.

b. It shall be the duty of the advisory board to:

17 (1) Review any proposal of the authority to establish a pool
pursuant to subsection a. of section 4 of this act and advise the
19 authority concerning the proposal;

(2) Review any application made to the authority under the
21 provisions of this act and advise the authority concerning the
application; and

23 (3) Study and make recommendations concerning those
activities of the authority which are undertaken to implement
25 the purposes of this act.

10. Any documentary materials or data received by any
27 member, agent or employee of the authority or the advisory
board, to the extent that the material or data consist of trade
29 secrets, commercial or financial information regarding the
operation of any applicant for, or recipient of, any form of
31 assistance which the authority is empowered to render pursuant
to this act, or regarding the competitive position of the
33 applicant or recipient, shall not be deemed public records and
shall not be open to public inspection, except that if the
35 authority provides the assistance, the commercial and financial
information, excluding trade secrets, shall be deemed to become
37 a public record of the authority after the expiration of three
years from the date that the assistance is provided, or, if the

1 information is received by the member, agent or employee of
the authority or the advisory board after the assistance was
3 provided, three years from the date on which the information
was received.

5 11. This act shall take effect immediately.

7

STATEMENT

9

11 This bill creates the New Jersey Venture Investment Fund and
the New Jersey Product Development Fund in the New Jersey
Economic Development Authority. It authorizes the authority
13 to use moneys deposited in the funds to invest in those efforts of
new and established businesses to develop and commercialize
15 new products which would result in the creation of significant
numbers of full-time, nonseasonal jobs and for which financial
17 aid is necessary because funding is unavailable in the traditional
capital markets or because funding has been offered only on
19 terms which would substantially hinder the success of the
development and commercialization of the new product.

21

23

COMMERCE AND INDUSTRY

Economic Development

25

27 Creates the New Jersey Venture Investment Fund; appropriates
\$2,000,000.

[Faint handwritten notes at the bottom of the page]

ASSEMBLY, No. 1830
STATE OF NEW JERSEY

Introduced Pending Technical Review by Legislative Counsel
PRE-FILED FOR INTRODUCTION IN THE 1988 SESSION

By Assemblymen FRANKS and HUDAK

1 **AN ACT** authorizing the creation of a debt of the State of
2 New Jersey by the issuance of bonds in the sum of
3 \$20,000,000.00 for the purpose of providing funds for the New
4 Jersey Venture Investment Fund and the New Jersey Product
5 Development Fund; providing the ways and means to pay the
6 interest on this debt and also to pay and discharge the
7 principal thereof; providing for the refinancing of any or all of
8 these bonds under certain circumstances; providing for the
9 submission of this act to the people at a general election; and
10 making an appropriation therefor.

11

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

14 1. This act shall be known and may be cited as the "New
15 Products, New Jobs Act of 1988."

16 2. The Legislature finds and determines that:

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

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

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

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

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

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

3. As used in this act:

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

b. "Bonds" means the bonds authorized to be issued, or issued
15 under this act.

c. "Development and commercialization" means:

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

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

23 (3) The initial marketing of the new product.

d. "Government securities" means any bonds or other
25 obligations which as to principal and interest constitute direct
obligations of, or are unconditionally guaranteed by, the United
27 States of America, including obligations of any federal agency
to the extent that those obligations are unconditionally
29 guaranteed by the United States of America, and any
certificates or any other evidences of an ownership interest in
31 those obligations of, or unconditionally guaranteed by, the
United States or in specified portions of those obligations, which
33 may consist of the principal of, or the interest on, those
obligations.

35 4. The authority shall adopt, pursuant to the "Administrative
Procedure Act," P.L. 1968, c. 410 (C. 52:14B-1 et seq.), the
37 rules and regulations necessary to carry out the provisions of
this act as described in section 5 of this act.

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

6 a. \$10,000,000.00 to provide, pursuant to sections 3 through
7 5 P.L. , c. (C. , through C.) (now pending before the
8 Legislature as the Assembly Committee Substitute for Assembly
9 Bill No. 3282), assistance for efforts by businesses which are less
10 than five years old to develop and commercialize new products
11 which would result in the creation of significant numbers of
12 full-time nonseasonal jobs and for which financial aid is
13 necessary because funding is unavailable in the traditional
14 capital markets or because funding has been offered only on
15 terms which would substantially hinder the success of the
16 development and commercialization of the new products; and

17 b. \$10,000,000.00 to provide, pursuant to sections 6 through 8
18 of P.L. , c. (C. through C.) (now pending before the
19 Legislature as the Assembly Committee Substitute for Assembly
20 Bill No. 3282), assistance for efforts by businesses which are
21 five or more years old to develop and commercialize new
22 products which would result in the creation of significant
23 numbers of full-time nonseasonal jobs and for which financial
24 aid is necessary because funding is unavailable in the traditional
25 capital markets or because funding has been offered only on
26 terms which would substantially hinder the success of the
27 project.

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

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

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

1 9. The bonds shall be signed in the name of the State by the
3 Governor or by his facsimile signature, under the Great Seal of
5 the State, which seal may be by facsimile or by way of any other
7 form of reproduction on the bonds, and attested by the manual
9 or facsimile signature of the Secretary of State, or an assistant
11 Secretary of State, and shall be countersigned by the facsimile
13 signature of the Director of the Division of Budget and
15 Accounting in the Department of the Treasury and may be
17 manually authenticated by an authenticating agent or bond
19 registrar, as the issuing officials shall determine. Interest
21 coupons, if any, attached to the bonds shall be signed by the
23 facsimile signature of the director. The bonds may be issued
25 notwithstanding that an issuing official signing them or whose
27 manual or facsimile signature appears thereon has ceased to
29 hold office at the time of issuance or at the time of the delivery
31 of the bonds to the purchaser thereof.
33

1 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
3 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
5 November, 1988 and that this act was approved by a majority of
the legally qualified voters of the State voting thereon at the
7 election. This recital shall be conclusive evidence of the
validity of the bonds and of the authority of the State to issue
9 them. Any bonds containing this recital shall, in any suit, action
or proceeding involving their validity, be conclusively deemed to
11 be fully authorized by this act and to have been issued, sold,
executed and delivered in conformity therewith and with all
13 other provisions of laws applicable hereto, and shall be
incontestable for any cause.

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

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

27 12. The bonds shall be issued and sold at such price or prices
and under such terms, conditions and regulations, as the issuing
29 officials may proscribe, after notice of the sale, published at
least once in at least three newspapers published in New Jersey,
31 and at least once in a publication carrying municipal bond
notices and devoted primarily to financial news, published in
33 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
35 day of bidding. The notice of sale may contain a provision to
the effect that any or all bids in pursuance thereof may be
37 rejected. In the event of rejection or of failure to receive any

1 acceptable bid, the issuing officials, at any time within 60 days
 2 from the date of the advertised sale, may sell the bonds at a
 3 private sale at such price or prices and under such terms and
 4 conditions as the issuing officials may prescribe. The issuing
 5 officials may sell all or part of the bonds of any series as issued
 6 to any State fund or to the federal government or any agency
 7 thereof, at a private sale, without advertisement.

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

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

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

1 those purposes, and no such moneys shall be expended for those
2 purposes, except as otherwise authorized in this act, without the
3 specific appropriation thereof by the Legislature, but bonds may
4 be issued as herein provided, notwithstanding that the
5 Legislature has not adopted an act making an specific
6 appropriation of any of the moneys.

7 b. At any time prior to the issuance and sale of bonds under
8 this act, the State Treasurer is authorized to transfer from
9 available money in any fund of the treasury of the State to the
10 credit of the New Jersey Venture Investment Fund or the New
11 Jersey Product Development Fund such sums as he may deem
12 necessary. Any sum so transferred shall be returned to the same
13 fund of the treasury by the State Treasurer from the proceeds of
14 the sale of the first issue of bonds.

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

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

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

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

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

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

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

26 c. No refunding bonds shall be issued unless the issuing
27 officials shall first determine that the present value of the
28 aggregate principal of and interest on such refunding bonds is
29 less than the present value of the aggregate principal of and
30 interest on the bonds to be refinanced thereby; provided, for the
31 purposes of this limitation, present value shall be computed
32 using a discount rate equal to the yield of such refunding bonds,
33 and yield shall be computed using an actuarial method based
34 upon a 360-day year with semiannual compounding and upon the
35 price or prices paid to the State by the initial purchasers of such
36 refunding bonds.

1 d. Any refinancing authorized hereunder may be effected by
the sale of the refunding bonds and the application of the
3 proceeds thereof to the immediate payment of the principal of
the bonds to be refinanced thereby, together with any
5 redemption premium thereon, any interest accrued or to accrue
on such bonds to be refinanced to the date of payment of such
7 bonds, the expenses of issuing the refunding bonds and the
expenses, if any, of paying such bonds to be refinanced, or, to
9 the extent not required for such immediate payment, shall be
deposited, together with any other moneys legally available
11 therefor, in trust with one or more trustees or escrow agents,
which trustees or escrow agents shall be trust companies or
13 national or state banks having powers of a trust company,
located either within or without the State, to be applied solely
15 to the payment when due of the principal of, redemption
premium, if any, and interest due and to become due on the
17 bonds to be refinanced on or prior to the redemption date or
maturity date thereof, as the case may be. Any such proceeds
19 or moneys so held by such trustees or escrow agents may be
invested in government securities, including government
21 securities issued or held in book-entry form on the books of the
Department of Treasury of the United States; provided, such
23 government securities shall not be subject to redemption prior
to their maturity other than at the option of the holder thereof.
25 Except as otherwise provided in this subsection, neither
government securities or moneys so deposited with such trustees
27 or escrow agents shall be withdrawn or used for any purpose
other than, and shall be held in trust for, the payment of the
29 principal of, redemption premium, if any, and interest on the
bonds to be refinanced thereby; provided that any cash received
31 from such principal or interest payments on such government
securities deposited with such trustees or escrow agents, to the
33 extent such cash will not be required at any time for such
purpose shall be paid over to such trustees or escrow agents, and
35 to the extent such cash will be required for such purpose at a
later date, shall, to the extent practicable and legally
37 permissible, be reinvested in government securities maturing at
times and in amounts sufficient to pay when due the principal

1 of, redemption premium, if any, and interest to become due on
the bonds to be refinanced on and prior to such redemption date
3 or maturity date thereof, as the case may be, and interest
earned from such reinvestments to the extent not required for
5 the payment of bonds shall be paid over to the State, as received
by such trustees or escrow agents. Notwithstanding anytime to
7 the contrary contained herein: (1) such trustees or escrow
agents shall, if so directed by the issuing officials, apply moneys
9 on deposit with such trustees or escrow agents pursuant to the
provisions of this section and redeem or sell government
11 securities so deposited with such trustees or escrow agents and
apply the proceeds thereof to the purchase of the bonds which
13 were refinanced by the deposit with such trustees or escrow
agents of such moneys and government securities and
15 immediately thereafter cancel all such bonds so purchased or
apply the proceeds to the purchase of different government
17 securities; provided, however, that the moneys and government
securities on deposit with such trustees or escrow agents after
19 such purchase and cancellation of such outstanding bonds of such
purchase of different government securities shall be sufficient
21 to pay when due the principal of, redemption premium, if any,
and interest on all other bonds in respect of which such moneys
23 and government securities were deposited with such trustees or
escrow agents on or prior to the redemption date or maturity
25 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
27 bonds or any purchases of different government securities as
provided in this subsection, the total amount of moneys and
29 government securities remaining on deposit with such trustees
or escrow agents is in excess of the total amount which have
31 been required to be deposited with such trustees or escrow
agents on such date in respect of the remaining bonds for which
33 such deposit was made in order to pay when due the principal of,
redemption premium, if any, and interest on such remaining
35 bonds, such trustees or escrow agents, shall, if so directed by
the issuing officials, pay the amount of such excess to the
37 State. Any amounts held by the State Treasurer in a separate
fund or funds for the payment of the principal of and interest on

1 bonds to be refinanced, as provided herein, shall, if so directed
2 by the issuing officials, be transferred by the State Treasurer
3 for deposit with one or more trustees or escrow agents as
4 provided herein to be applied to the payment when due of the
5 principal of, redemption premium, if any, and interest to
6 become due on such bonds to be refinanced, as provided in this
7 section, or be applied by the State Treasurer to the payment
8 when due of the principal of and interest on refunding bonds
9 issued hereunder to refinance such bonds. The State Treasurer
10 is authorized to enter into any contract or contracts with one or
11 more trust companies or national or state banks, as provided
12 herein, subject to the approval of the issuing officials.

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

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

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

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

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

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

23 20. Any bond or bonds issued hereunder shall no longer be
24 deemed to be outstanding, shall no longer constitute a direct
25 obligation of the State of New Jersey, and the faith and credit
26 of the State, shall no longer be pledged to the payment of the
27 principal of and interest on such bonds, and such bonds shall be
28 secured solely by and payable solely from moneys and
29 government securities deposited in trust and with or more
30 trustees or escrow agents, which trustees and escrow agents
31 shall be trust companies or national or state banks having
32 powers of a trust company, located either within or without the
33 State, as provided herein, whenever there shall be deposited in
34 trust with such trustees or escrow agents as provided herein
35 either moneys or government securities, including government
36 securities issued or held in book-entry form on the books of the

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

1 section and redeem or sell government securities so deposited
 2 with such trustees or escrow agents and apply the proceeds
 3 thereof to (1) the purchase of the bonds which were refinanced
 4 by the deposit with such trustees or escrow agents of such
 5 moneys and government securities and immediately thereafter
 6 cancel all bonds so purchased, or (2) the purchase of different
 7 government securities; provided, however, that the moneys and
 8 government securities on deposit with such trustees or escrow
 9 agents after such purchase and cancellation of such bonds or
 10 such purchase of different government securities shall be
 11 sufficient to pay when due the principal of, redemption
 12 premium, if any, and interest on all other bonds in respect of
 13 which such moneys and government securities were deposited
 14 with such trustees or escrow agents on or prior to the
 15 redemption date or maturity date thereof, as the case may be;
 16 and b. in the event that on any date, as a result of any
 17 purchases and cancellations of bonds or any purchases of
 18 different government securities as provided in this sentence, the
 19 total amount of moneys and government securities remaining on
 20 deposit with such trustees or escrow agents is in excess of the
 21 total amount which would have been required to be deposited
 22 with such trustees or escrow agents on such date in respect of
 23 the remaining bonds for which such deposit was made in order to
 24 pay when due the principal of, redemption premium, if any, and
 25 interest on such remaining bonds, such trustees or escrow agents
 26 shall, if so directed by the issuing officials, pay the amount of
 27 such excess to the State free and clear of any trust, lien, pledge
 28 or assignment securing such refunding bond.

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

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

36 a. Revenue derived from the collection of taxes under the
 37 "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

1 b. If, at any time, funds necessary to meet the interest and
2 principal payments on outstanding bonds issued under this act,
3 are insufficient or not available, there shall be assessed, levied
4 and collected annually in each of the municipalities of the
5 counties of this State, a tax on the real and personal property
6 upon which municipal taxes are or shall be assessed, levied and
7 collected, sufficient to meet the interest on all outstanding
8 bonds issued hereunder and on the bonds proposed to be issued
9 under this net in the calendar year in which the tax is to be
10 raised and for the payment of bonds falling due in the year
11 following the year for which the tax is levied. The tax shall be
12 assessed, levied and collected in the same manner and at the
13 same time as other taxes upon real and personal property. The
14 governing body of each municipality shall pay to the treasurer of
15 the county in which the municipality is located, on or before
16 December 15 in each year, the amount of tax herein directed to
17 be assessed and levied, and the county treasurer shall pay the
18 amount of the tax to the State Treasurer on or before December
19 20 in each year.

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

34 23. Should the State Treasurer, by December 31 of any year,
35 deem it necessary, because of insufficiency of funds collected
36 from the sources of revenues as provided in this act, to meet the
37 interest and principal payments for the year after the ensuing
38 year, then the State Treasurer shall certify to the Director of
39 the Division of Budget and Accounting in the Department of the

1 Treasury the amount necessary to be raised by taxation for
 those purposes, which is to be assessed, levied and collected for
 3 and in the ensuing calendar year. The director shall, on or
 before March 1 following, calculate the amount in dollars to be
 5 assessed, levied and collected in each county as herein set
 forth. This calculation shall be based upon the corrected
 7 assessed valuation of each county for the year preceding the
 year in which the tax is to be assessed, but the tax shall be
 9 assessed, levied and collected upon the assessed valuation of the
 year in which the tax is assessed and levied. The director shall
 11 certify the amount to the county board of taxation and the
 treasurer of each county. The county board of taxation shall
 13 include the proper amount in the current tax levy of the several
 taxing districts of the county in proportion to the ratables
 15 ascertained for the current year.

24. For the purpose of complying with the provisions of the
 17 State Constitution, this act shall be submitted to the people at
 the general election to be hold in the month of November, 1988.
 19 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,
 21 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
 23 notify the clerk of each county of this State of the passage of
 this act, and the clerks respectively, in accordance with the
 25 instructions of the Secretary of State, shall have each of the
 ballots printed as follows:

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

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

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

1

3

5

7

9

11

13

15

17

19

21

23

25

27

29

**NEW PRODUCT DEVELOPMENT BOND
ISSUE**

YES.

Shall the "New Products, 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 business to develop and commercialize new products, and to issue bonds in a principal amount sufficient to refinance all or any of the bonds if the same will result in present value savings, and which provides the ways and means to pay the principal and interest on the bonds and any refunding bonds be approved?

		<p>INTERPRETIVE STATEMENT</p>
	NO.	<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 fulltime nonseasonal jobs. The act also authorizes the issuance of bonds in a sufficient amount to refinance all or any of these bonds if the same will result in a present value savings.</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.

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

4 26. The authority shall submit to the State Treasurer a
5 plan for the expenditure of funds pursuant to subsection a.
6 of section 5 of this act from the New Jersey Venture
7 Investment Fund for the upcoming fiscal year and a plan for
8 the expenditure of funds pursuant to subsection b. of section
9 5 of this act from the New Jersey Product Development
10 Fund for the upcoming fiscal year. Each plan shall include
11 the following information: a performance evaluation of the
12 expenditures made from the respective fund to date; a
13 description of programs planned during the upcoming fiscal
14 year; a copy of the regulations in force governing the
15 operation of programs that are financed, in part or in whole,
16 by moneys from the respective fund; and an estimate of
17 expenditures for the upcoming fiscal year.

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

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

32 30. This section and sections 24 and 25 of this act shall
33 take effect immediately and the remainder of the act shall
34 take effect as provided in section 24.
35

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 in 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 businesses which are less than five years old to develop and commercialize new products; and (2) capitalizing, at \$10,000,000.00, the New Jersey Product Development Fund, which would assist businesses which are five or more years old 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. 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, nonseasonal jobs and for which financial aid is necessary because funding has been offered only on terms which would substantially hinder the success of the development and commercialization of the new product.

COMMERCE AND INDUSTRY

Economic Development

Designated "New Products, New Jobs Act of 1987," authorizes bonds for \$20 million, and appropriates \$5,000.

TABLE OF CONTENTS

	<u>Page</u>
Assemblyman Robert D. Franks District 22	1
Assemblyman George Hudak District 20	2
Donald M. Scarry Vice President New Jersey Business and Industry Association	8
John Crosbie New Jersey Commission on Science and Technology	10
William Franklin Union County Economic Development Corporation	14
Dr. William Ayers Chairman Electron Transfer Technologies	17
Norma LoSavio Legislative Liaison New Jersey Department of Commerce, Energy and Economic Development	26
George Nagle Director, Office of Economic Research New Jersey Department of Commerce, Energy and Economic Development	26
Eugene Bukowski Finance Director New Jersey Economic Development Authority	28
Hugh Fenwick New Jersey Commission on Science and Technology	34
APPENDIX:	
Statement submitted by Donald M. Scarry	1x

* * * * *

ASSEMBLYMAN JACK COLLINS (Chairman): We would like to welcome all of you to today's hearing and Committee meeting. We are first going to have a hearing dealing with a couple of-- Well, I don't know if the bills are outstanding, but the sponsors are outstanding people. We are going to have testimony on these bills, and then we are going to end the hearing and go to a regular Committee meeting of the Assembly Economic Growth, Agriculture and Tourism Committee, where we will do -- or at least discuss Assembly Bills No. 111 and 1830 -- which we are going to hold the hearing on -- and then some other bills also.

What we would like to do is start this hearing by bringing to the microphones the sponsors of bills A-111, which is Assemblyman Franks' bill, and A-1830, sponsored by Assemblyman Franks and Assemblyman Hudak. Will you gentlemen please come forward? If you would like to make opening statements or comments, please do, and then we will go from there.

Assemblyman Salmon is leaving, as you can see. Unfortunately, he has to go to Atlantic City. Just to build your confidence, gentlemen, as you sit there, he is quite supportive of your legislation, and has let the Chairman know that before he leaves. Welcome.

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, Mr. Hudak and I would both like to gratefully express our appreciation for allowing us to testify this afternoon. Being from north of the Raritan River, we feel it is particularly delightful today to have this Committee hear the bills. Under your stewardship, Mr. Chairman, I know we will have a very fair and thorough hearing on this proposal.

ASSEMBLYMAN COLLINS: Did you say the Raritan River?

ASSEMBLYMAN FRANKS: Yes, sir. That is somewhere north of--

ASSEMBLYMAN COLLINS: The way we look at that, those of us south of the Raccoon Creek-- We call that the Artic Circle area, that you're from. Right, Assemblyman Marsella?

ASSEMBLYMAN MARSELLA: That is correct.

ASSEMBLYMAN FRANKS: I told you there was going to be trouble, George.

ASSEMBLYMAN COLLINS: Fairness is our word, south of the Raccoon Creek, so go ahead.

A S S E M B L Y M A N G E O R G E H U D A K: Let me just say, we both eat clams and oysters, so we're helping you out.

ASSEMBLYMAN COLLINS: Well, now you're starting to warm our hearts. Go ahead, gentlemen.

ASSEMBLYMAN HUDAK: Go ahead, Bob.

ASSEMBLYMAN FRANKS: Mr. Chairman, thank you very much for calling these measures to the Committee's attention today. I would like to talk generally about the direction these bills take, and then respond to any questions which you might have.

The manufacturing sector plays a vital 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 the work force, and is 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. 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 nation's lowest aggregate unemployment rates at around 4%. However, as statistics have shown, the manufacturing sector has not shared equally in these relatively low unemployment levels. Rather, there has been a shift in the types of employment, generally to those in the service sector. This shift in our economy narrows the base

upon which we can rely, and moves in the direction of limited diversity for our State's economy. New Jersey will be less well-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 will allow the private sector to grow by creating opportunities for new products, by providing financial aid from the Product Development Fund to which the bond proceeds will be deposited.

My component of the proposal would create the New Jersey Product Development Corporation. In order to receive financial aid, the applicant would meet several criteria:

First, that the applicant is an existing business that has been operating for more than five years.

Second, 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.

Fourth, the applicant has made substantial financial and time commitments to the project.

Fifth, possible gains to the New Jersey Product Development Corporation in return for financial aid are at least commensurate with the risk of loss, and also that there is a reasonable possibility that the corporation will at least recoup the initial amount of its financial aid through dividends, royalty payback, or other returns to the corporation.

Mr. Chairman, rather than continue on with a lengthy list of criteria, which are outlined in the bill, let me say that I believe the proposal is critical in bolstering manufacturing in New Jersey and crucial to restoring a balanced

economy, by helping existing manufacturers to expand their businesses.

You will remember also, Mr. Chairman, that we heard this bill in the last session of the Legislature. There were a number of competing proposals that we ultimately merged into what is now Assembly Bill No. 111. That bill would not only provide for the creation of the New Jersey Product Development Corporation, but would also allow for seed capital to be invested in those new ventures which are trying to bring new technology into the marketplace.

I think that approaching it both from the new venture side, where you find a number of individuals and companies struggling to find seed capital to put their talents to work in the marketplace, as well as those existing firms which do not have adequate resources to retool to bring a new product into the marketplace, will be benefited by the New Jersey Product Development Corporation. So, looking at both start-up ventures and older manufacturing entities, I think this is a more comprehensive approach than was the fact the last time that Mr. Hudak and I were here. The \$20 million that is to be found through the issuing of bonds would be deposited, \$10 million into the seed capital, and \$10 million into the New Jersey Product Development Corporation. I think it is an effective approach. I think that if we don't give this level of attention to our State's manufacturing sector, we will continue to see the kind of decline that can be disturbing if we hit an economic slowdown.

Thank you again, Mr. Chairman, for allowing these bills to be heard through a public hearing before the members of the Committee. I want to gratefully acknowledge my colleague, George Hudak, who has been really supportive of these concepts from the very beginning, and has been an articulate spokesperson for them. Both of us come from a county where this problem has become very apparent, and despite

being on different sides of the political aisle, I think we are joined together here, because we think it is simply an overriding public issue.

Thank you.

ASSEMBLYMAN COLLINS: Thank you, Assemblyman. Assemblyman Hudak?

ASSEMBLYMAN HUDAK: Not to be redundant, but I would just like to say that as a former Mayor of a community -- a very industrialized community, Linden -- we have experienced in that city an exodus of thousands, maybe 10,000 jobs in the manufacturing area. I think it is time that we, as a State, thought about reversing that. I think both of these initiatives here go towards that end.

Again, I don't want to be redundant, but I think it is such a good thing. There are a lot of small businesses out there that are experiencing some difficulty in getting financial aid. I think that we, as a State, should make that funding available that presently isn't available to them. It is somewhat risky, but any business venture is really a risk. I think there are a lot of people out there looking for this kind of help from the State, rather than from local banks and investment areas.

So, I agree with my partner here on this bill. I think it is good for the State, and is extremely good for the communities that are experiencing really a great exodus of manufacturing jobs. It will go a long way, I think-- Well, maybe not a long way, but it will go some way, anyhow, in relieving that kind of apprehension we have in our cities that are heavily dependent on manufacturing.

ASSEMBLYMAN COLLINS: Are there any questions at this time from anyone before we start having public testimony? (no response) If you two gentlemen-- Since we do have two extra seats here, if you would just like to sit in those--

ASSEMBLYMAN FRANKS: Mr. Chairman, one closing remark, if I might. Let me say that I am not one who normally finds himself supporting initiatives that allow public moneys to be funneled into private enterprises. But, after a careful review of this issue, and working with the Union County Economic Development Corporation, it became clear that the existing sources of venture capital are not sufficiently attractive to many small businesspeople who do not want to lose the vast degree of the equity share in their corporation, which is why we stipulated that royalty payback should be a mechanism that should be available to the New Product Development Corporation. Hopefully, by allotting for that new source of funding, we will find many more individuals with small manufacturing facilities in counties like ours willing to undertake the evolution of a new product, because they will be able to reap the greater share of their reward, instead of giving it away to some other entity, which, if they are successful, will bear the lion's share of the reward.

So, it is a practical response to a very real problem, in our judgment.

ASSEMBLYMAN COLLINS: It is interesting that you would bring that up at this particular time, Assemblyman. I know on my way up, I was listening to the news. I don't know if anyone else has heard it, either in cars or wherever else, but they announced the new nuclear colliding facility, or whatever the exact title is, that is going to go to Texas -- a \$4.4 billion facility. I saw it coming up on the news, what the six states were. They were mostly western states, and I think Illinois. I heard Senator Phil Graham from Texas talking about it. He made an interesting point, something that I didn't know about. Texas got it, and they are very excited about it. They think it could lead to as many as 3000 new jobs, plus an increase in the economics of the area.

But what he really said that caught me -- my particular interest-- He said that the Governor deserved credit because of the great technological, social, political, and educational group he put together to put this plan into action. But then he said, "And the people of Texas, who in a recession period, have just voted to put one billion dollars into this idea and operation." It hit me as we were coming up here, because, you know, I have some reluctance about State moneys-- But there are certain things that I feel the State should be involved in. I am not any expert on what has happened in Texas, but it sure did hit me when he said, you know, that with all of the problems that Texas has, the citizens just voted to put a billion dollars of their money into this plan to bring this facility to Texas. We are maybe not into that big an idea, a State -- as I am sure we will hear from some of the testifiers -- of a lot of small businesses, New Jersey, but I think maybe its time has come. I appreciate the bill being introduced, and look forward to the testimony we are going to hear.

ASSEMBLYMAN HUDAK: I'll tell you, Mr. Collins, I just want to state that also with the diminishing resources available through UDAG, which has been greatly diminished, in fact almost abolished at the Federal level-- Many communities and companies -- smaller companies -- benefited by that kind of a program. I think this is just another step perhaps in making up for some of those moneys that were lost from the Federal level.

ASSEMBLYMAN COLLINS: If you two gentlemen, for input at any time, would like to sit up here (referring to Committee table), and clear those seats, we welcome you, and we will have some other people make comments at this particular time.

First, may we hear from Don Scarry, Vice President, New Jersey Business and Industry Association?

D O N A L D M. S C A R R Y: Good afternoon, Mr. Chairman and members of the Committee. I don't want to repeat anything that Assemblymen Franks and Hudak said, but I want to try to mention a little bit about what is happening to manufacturing in New Jersey.

I didn't bring enough copies, and I am embarrassed, but I want to show you a copy of a publication called, "New Jersey Employment Trends," published by our New Jersey Department of Labor. From June of 1987 to June of 1988, New Jersey lost an additional 9500 jobs in the manufacturing sector, and gained 31,700 jobs in the service sector. That is what I would like to talk about for a moment.

In June of 1988, there were about 3.7 million persons employed in the non-farm sector of our economy in New Jersey. Of those persons, just about 18% -- just under 670,000 persons -- were employed in manufacturing. In 1983 -- just over a five-year period -- this figure had been over 715,000. So it went from 715,000 to 670,000 during a period that was economically robust for the State of New Jersey. These manufacturing employees, by the way, were more or less evenly distributed between durable and non-durable goods-producing sectors, and they followed different cycles. That is an important observation, I think.

The balance of the employed persons in the economy of New Jersey were distributed across non-manufacturing in the following ways. When you have trifocals, you can't see anything, so I need a ruler. The service sector had 905,000 persons. It is our single largest employing sector in the State of New Jersey. The service sector includes everything from restaurants through business services through medical services.

Sector number two was wholesale and retail trade -- 877,000 persons. This is a very cyclically changeable sector. So, so far we have 905,000 and 877,000. We have about half of our people employed in services and wholesaling and retailing.

The third sector, and the last one I will talk about, is the public sector, with 552,000 people. That is larger than either the durable or non-durable goods element of manufacturing. Services approach 25% of the total non-farm payroll and wholesale and retail trade, and approach about 23%-- About half of our employment at this point is involved in this very soft sector.

The basic question is: Why do we care about this? I think that is the question this legislation is attempting to address. Think carefully. The nature of manufacturing activity is rarely local, and the nature of service activity is almost always local.

I have been very nervous over our period of economic recovery that the economy of New Jersey has become very brittle, and that if we have another recession, not only will we decline more rapidly than the nation, but we will plummet. I know you can't really analogize from individual cases, but think in your own case if you had no income tomorrow. What are the things that you would exempt from your household? Would you do away with the pick-up and delivery dry cleaner? Would you do away with the lawn service? Would you do away with this and that? What other services would leave your household? Other households will behave in exactly the same way, and businesses will behave in exactly the same way. I am terrified that our economy has become brittle.

What are the points to be made for manufacturing? Manufacturing is rarely a local activity. One manufactures for a broad region, perhaps the whole nation, or even globally. Manufacturing allows a very broad and very steady footprint for an economy in terms of the nation. If we were a manufacturing sector like we were after the Second World War, a recession in Michigan would not bother us, because we could pick up sales in California. A recession in California wouldn't bother us, because we could pick up sales in France. We need not only to

expand the nature of our activity here within the State, but we need to be able to balance our State across all of the economies in all of the world. Services cannot, almost by their very nature, do that. Manufacturing can. That is why I think manufacturing is extremely important in the State of New Jersey.

The New Jersey Venture Investment Fund does something different -- and this is my last point on these -- does something very different than I have seen New Jersey do in the past. This is an attempt to commercialize, not to invent, not to research. Both of those things are of crucial importance to us in the long run. The gist of these bills is to help us commercialize activities, start small businesses, help businesses to grow, specifically in manufacturing. Therefore, the New Jersey Business and Industry Association endorses both of these bills very strongly.

Thank you very much for your time.

ASSEMBLYMAN COLLINS: Thank you. Are there any questions or comments of Mr. Scarry? (no response) Okay, thank you, Don.

MR. SCARRY: Thank you, Mr. Chairman.

ASSEMBLYMAN COLLINS: John Crosbie, New Jersey Commission on Science and Technology, and Mr. Hugh Fenwick. Welcome John, Hugh.

J O H N C R O S B I E: Good afternoon. Thank you for hearing us. We will be very brief. We testified on this last year, and we just want to go on the record.

Our Commission is perhaps best known for our work in setting up a network of state-of-the-art research centers and our grant programs which support state-of-the-art research out of our universities. We are forging this alliance between industry and academia. What is perhaps not understood is that in the early years, we have had to spend the time on this infrastructure -- for lack of a better phrase -- on the

facilities and programs, getting them all together and up and running, wrapping this up. But at the same time, we have also had a very vital element of our program, which is our Venture Development Office. Hugh Fenwick, who is here with me today, heads that office. I have with me today, right off the presses-- You are seeing this just as it came off. This is a new poster (indicating poster) we have developed, which is helping us to inform people. This is two posters, the way it is mounted on the press. But you can see all of the various programs. The red stars are our Research Centers, and then you can see all the various types of programs we have that are helping entrepreneurs and businesses to gain access to the-- This is technology transfer oriented. All of the information on the back, guides people through information and phone numbers as to how they can get help for their companies.

This is a very big concern. We will have these for you next week. They are in the process of being cut and folded, and they will be distributed to all legislators to share with their constituents. I can leave this with you to look at, if you want to familiarize yourselves with it -- with some of the programs. All these programs, by the way, have been previously described in our annual report in length, but this is a way that we can get the information out to the business community and the entrepreneurs.

When we hear that Assemblyman Franks and the Legislature are interested in developing other mechanisms for facilitating technology transfer or starting up new businesses, we can say from extensive experience with those communities, that this legislation is welcome and should be encouraged. Essentially, this bill is going to complement a lot of what we do and a lot of what the people we work with do. More particularly, the Center for Manufacturing Engineering Systems -- CMES -- which will be at the New Jersey Institute of Technology in Newark, is right on target with what we are

talking about in your legislation. This Center is already up and running. Its purpose is to go into industry. I don't know if NJIT has their representative here today or not, but it is going to go into existing businesses. I think it is probably very apropos to note that CMES, even at this early stage, is working in some ad hoc facilities until its new Center can be developed. It is already helping a new medical device manufacturer up in Princeton, as well as working with Schering-Plough up in Union County -- I'm sorry Assemblyman Franks left; there is a little plug there -- on a new packaging system.

So you will have that legislation for CMES on the board list you will be dealing with later in this meeting. That provides the capital moneys to build the reserarch facility. They will be working directly with industry, bringing them in and showing them how to create islands of automation; how to tie the other different computers together so they can talk the same language, and work on whole systems.

The point is, there is no one solution. I think Assemblyman Franks said it, and you said it as well, this is not the whole answer, any more than our Center is the whole answer. We come up with these complementary initiatives, and they will work together. There are companies out there which have capial problems. There are start-up firms out there which do need money. You are going to reach a small segment of them with this money. Twenty million dollars seems like a lot. When you put it in there, even when it is matched by the private sector, the need is greater than you can know. But those who will be able to qualify for it, under your criteria-- It is going to whittle that down some. Hopefully, we will come out with some winners.

Now, finally, I think it is also important to point out that this bill is valuable because it has gone through an amendment process which has recognized that there needs to be

sufficient moneys -- \$20 million. There was talk in the original bill for \$2 million, and now we have gone to \$20 million through a bond issue. It also reflects an understanding that that money has to be patient money. When we say "patient money," that means that these are long term investments. This is no quick fix. You don't give a company money and expect that next year they will be making a profit. As long as everybody on this Committee understands that this is long-term money. That is an important consideration for the State and for everybody who votes on this bill.

Finally, since the Commission is already working with many segments of our manufacturing sector, as well as helping with the start-up of new firms through our programs, with creating a statewide network of small business incubators and grant programs and all of that, we ask, and have relayed to the sponsor a request, that the Commission on Science and Technology's Chairman be added as an ex officio member to the advisory board that will oversee the fund that is created in A-111. We ask that the sponsor and the Committee accept that amendment.

I think that through a coordination of our efforts -- as we said, no one thing will do it -- we can achieve some real results.

Thank you. We are available to answer any questions you may have.

ASSEMBLYMAN COLLINS: I have a question. You say you made that request of the sponsor of the bill..

MS. SMARTH (aide from partisan staff): I relayed it to the office, and they seemed amenable to it.

ASSEMBLYMAN COLLINS: They did? Okay. Any questions? (no response) I thought it was a pertinent point that you made, John, with regard to -- and I like that term, "patient money"-- You know, we always want that quick turnaround. It seems so often that those of us who are being

judged every two years by our constituents-- If I may, I would like to use that phrase from now on. I like that -- "patient money." I would like to use it with my children. (laughter)

MR. CROSBIE: It is an important phrase both with the Commission's programs and with a program such as this, because these types of investments take a while to bear fruit. You have to be willing to go through a couple of rough years. Anybody in the business will tell you that.

Thank you very much for your time.

ASSEMBLYMAN COLLINS: Okay. Thank you both -- Hugh and John.

Is Mr. Bill Franklin here -- Union County Economic Development Corporation?

W I L L I A M F R A N K L I N: Good afternoon.

ASSEMBLYMAN COLLINS: I was wondering-- On my way up here, I bumped into Speaker Hardwick, and he said, "Hi, Jack, how are you doing?" He never usually talks to me. Then it just hit me, as we are getting all this Union County stuff-- Interesting.

MR. FRANKLIN: I think I was with you in Detroit, when Reagan was nominated for President.

ASSEMBLYMAN COLLINS: Well, I wasn't there. As Assemblyman Marsella will tell you, in 1980, I think I was with Carter, without going into that. (laughter) I wasn't there, but go ahead.

MR. FRANKLIN: Okay. My name is William Franklin. I am owner and President of the Hillside Spinning and Stamping Company of Union, New Jersey. I also own about 10 companies, all in manufacturing. Our products run the gamut from housewares to high tech. We buy our raw materials and machines world-wide, and we sell our products world-wide as well. I am also a Director of the Union County Economic Development Corporation. I am a former President of it also. I am also a member of the Small Business Advisory Council for the Governor.

Assemblyman Franks touched on his philosophy, and I just want to expand on my own a little bit. I do not like to see government competing with private enterprise. I do feel, however, that where private enterprise has failed to meet a need, that the government should consider trying to take care of that need. I feel this is a situation where the government should come in, because the private sector has not been able to take care of this problem.

I am only addressing my remarks to the second part of the Act, which is the New Jersey Product Development Corporation. Rather than go into repeating what many others have said who are in favor of this, I would just like to point out one thing where I feel you should consider making a change. I would like to read that part which has to do with the board of directors -- the seven directors who are to be appointed by the Governor. They say that these people should have favorable reputations for skill, knowledge, and experience in the areas of development and technological invention. I might add that I am a chemical engineer who is now a businessman, so I have been on both sides of the fence. I feel when you define the qualifications as such, you may find yourselves with a board of directors who are pretty much all scientists. But that is only one part of the problem.

You have to first develop the product -- research it, develop it -- and then you've got to market it, produce it, and sell it. I feel you should consider adding -- or making a change in this make-up, so that there are at least two businessmen on the board of directors.

ASSEMBLYMAN COLLINS: In the legislation where it says: "Two individuals with investment or financial experience relating to the development and commercialization of new products," wouldn't that deal with what you are concerned about?

MR. FRANKLIN: That would, but it is not in my copy. I must have the wrong copy.

ASSEMBLYMAN COLLINS: Well, when this bill started, it was one way, and I think we made some amendments last year as we moved along. It's on page 11, lines 31, 33, and 35.

MR. FRANKLIN: Okay, just as long as we have a practical businessman there, to make sure that they are not up in the clouds all the time.

ASSEMBLYMAN COLLINS: Yes, sir.

MR. FRANKLIN: Okay. Now, there have been some expressions as to the feasibility of this Act. I would just like to read a little bit of background on how this came about. First of all, it started back in 1948 in England. England established the National Research Development Corporation to aid the postwar economic recovery. From its inception, the NRDC helped to develop new industries such as the Hovercraft, and helped to create and apply new technological forms. The NRDC participates in joint ventures with private corporations and provides funds for independent projects now involving major companies. Sometimes the NRDC recovers its investment through equity participation, although more often the NRDC owns all or a portion of the patent rights and regains its investment through royalties from patent licenses. Since 1967, NRDC's income has exceeded expenditures and it has a current income of more than \$20 million per year.

Let's go on now to the United States experience. I am going to quote from the 1986 Annual Report of the Connecticut Product Development Corporation: "For the Fiscal Year 1986, state funding for 65 companies reached a new high of \$17.4 million. Eight projects were approved by the board of directors for a total of \$3.3 million. Successful completion of these products could produce over 800 new jobs."

Examples of the types of projects: a hermetic DC motor/compression system; an anti-pollution device; a mobile robot vehicle system; laboratory equipment and supplies;

telecommunications test equipment; switch mode power supplies; sporting arms computer controlled instruments -- pretty much high tech. "Royalty income received totaled \$555,000, a new high, for a cumulative total to date of \$2.4 million. These royalties were the result of over \$50 million in sales of sponsored products manufactured in Connecticut.

"Operating expenses for the year were just \$382,000, and well within the amounts budgeted. For the past six years, administrative costs have been paid out of royalty income, and we have advanced funds for the new fiscal year."

Now, if you have any doubts as to what the success might be of this program, I think you can see that through the funding that is proposed here with bond issues, and with this type of operation, there is not going to be an assessment of taxes or any cost to the taxpayer.

I just want to conclude by saying, I hope this Committee will report out favorably on this.

ASSEMBLYMAN COLLINS: Thank you, Mr. Franklin.

MR. FRANKLIN: Okay.

ASSEMBLYMAN COLLINS: Dr. William Ayers, Chairman, Electron Transfer Technologies? Welcome, Doctor.

D R. W I L L I A M A Y E R S: My name is Bill Ayers. I would like to speak in favor of the bill also.

We have a high technology firm in Princeton, New Jersey, and we have participated in Federal government programs such as the SBIR Program, which is Small Business Innovation Research, and received grants from that.

I have watched with interest, over the last few years, the activities of the Commission on Science and Technology, and the actions in the State in general to promote business in the State. I would just like to say, it has been our experience that present State programs which could help growth companies to purchase equipment or expand their facilities, are very difficult to work with, such as the Economic Development

Administration. There are a number of caveats in their program which make it very difficult to access. For example, they have a loan program, but you have to add one person per \$15,000 in loans. Often, in a high technology company where you are automated, you cannot make that sort of a promise and carry that sort of a thing through. Also, many of the loans are tied to urban development zones, so it is geographically limiting, too.

I think the State does need something to help companies that are in the growth mode, so I support, certainly, the product development section of the bill. The seed part, I think, is a little more difficult to back, but I would certainly be in favor of it. However, I would suggest that one thing be added to it.

In analyzing seed investment, it is a difficult job, especially if the companies are technologically sophisticated. I think one way to get around that is to utilize the State's investment in the Advanced Technology Centers at the State and private universities, to act as screening sources for that. So, I think you should perhaps require university faculty members at the Advanced Technology Centers to have to provide a certain amount of their time to review proposals for the seed capital section of this bill. That would be an analogy to researchers at government laboratories reviewing Small Business Innovation Research proposals that are done at the Federal level. You have made that investment in those personnel, and this way they could help to pay that back to the State, to help them to choose the correct investments.

ASSEMBLYMAN COLLINS: I have a question. First off, I think your words were-- Well, I'll paraphrase them: Make them review it. Do you think we, as someone involved in academe in the outside world -- myself, in this case-- We have trouble asking our faculty -- or making them do things. Do you really feel that the State would have the ability to say, "Okay, here is what you people are going to do"?

DR. AYERS: Well, I think--

ASSEMBLYMAN COLLINS: Even if we should do it, but that is another question.

DR. AYERS: I should say "request."

ASSEMBLYMAN COLLINS: And if they deny?

DR. AYERS: Well, I think you would have to tie up the funding. They just received a very large bond issue which will provide not only new equipment, but new buildings. And, the real cost of that bond issue isn't \$350 million. It is closer to \$650 million, according to the bond issuing authority in the State. That is a massive investment of the taxpayers of New Jersey into that infrastructure. And in return for that, I think it is not unreasonable to request those faculty members to be dedicating some time to helping technology companies start in the State.

ASSEMBLYMAN COLLINS: But, if we open that door-- You know, the \$350 million bond issue-- We are going to say, "Well, look at these technology companies," and someone else will say, "Well, you know, a lot of that money in our institution is going into a humanities building. Maybe we should be involved in human services projects," or whatever. I mean, where do we stop if we move into the academic sector and start saying, "Here is what you are going to do"?

I understand where you are coming from, that we probably need some expertise here, but I wonder if that is the way to go. Secondly, even if we were to be able to do that-- Let's say in the best of all worlds of Bill Ayers, that they would say happily, "Yes, I will do that." But then how much credibility, or how much credence do we give their recommendation? Does the authority then have to take what they say? I think it is a thought-provoking idea, but I don't know if it can be done.

Before you answer, John Crosbie?

MR. CROSBIE: (speaking from audience) Yes. From the Commission's point of view--

ASSEMBLYMAN COLLINS: John, would you come up, please, because we are recording?

MR. CROSBIE: While we appreciate the endorsement of our Advanced Technology Centers, the point to be addressed here, Mr. Chairman, is that we do have a set-aside -- a 5% set-aside -- in the funding that we provide. This is State funding that you folks appropriate every year in your annual funding to the Commission, that we pass on to the programs; a 5% set-aside required to be devoted to technology transfer, working with industry.

In terms of a strict requirement that each company that comes before this loan board be reviewed by an Advanced Technology Center, I don't know that it can always be done, because while our Advanced Technology Centers cover many fields, I would not be presumptuous enough to say we cover all fields and have the expertise to address all companies. However, I think that in terms of, you know, how it is worded, you could have it in a more easygoing way by saying that proposals for venture investment funding for technology companies shall be referred to the Advanced Technology Centers for an opinion. I don't see any reason why it should be binding. You know, I don't think that is a requirement. I wouldn't expect it to be. The people you put on this board who are going to oversee the investments are specified to have a certain degree of expertise and be able to evaluate things, once they are presented with information -- like you are saying, a degree of expertise, an evaluation of technology, and the ability to make those judgments themselves.

In addition, the board will have the professional investor guiding things. Those people who are guiding the investments know where to go for information on technologies, not just our Advanced Technology Centers. They know where to

go, to companies that are already in the field or in related fields. So, I think you could go with some kind of permissive language, rather than a requirement, that our Centers provide assistance to the loan board. I think that would be my approach.

We do have the requirement, though. I want you to understand this. These are not just islands of research. They have been designed to help companies that are growing, by evaluating their processes. You know, if you go to our Center for Advanced Biotechnology and Medicine, they have a network laboratory system, where companies come in and can have processes evaluated, and work on equipment that they could never afford -- the small operations themselves. They can test their own processes. That is a very big part of our--

DR. AYERS: Well, I don't think that is the-- I understand your point, but essentially it is going to be a question of how do you analyze these investments? There are private firms through the State that subcontract to give you an analysis. There is one right in Princeton, and, you know, a professional investor could, of course, use consultants to help. But I think you should also take advantage of the potential of the Technology Centers and manpower as another resource for doing that. Again, for the Federal level, it is a question of-- They get maybe three recommendations, or three reviews, and then the decisions are actually made by the various funding agencies.

It is a suggestion. I guess part of my general theme, though, is to tie in the functioning of the Commission on Science and Technology with this bill. The comment that has just been made about the 5% set-aside for technology transfer-- Entrepreneurs do not go to the State universities or private universities to find ideas to start companies. The Commission on Science and Technology has a model of-- I sort of call it "trickle down technology." Professors come up with

bright ideas, and that technology trickles down into the economy. If you look at just the history of the State, the number of spin-off companies from Bell Labs, from Exxon, from the major corporations, compared to the number of companies started from universities, it is a mass ratio in favor of the product corporations. The same thing as Silicon Valley. You know, you could call it a Silicon Valley type model.

What we really need in this State is a hot bed of small technology companies that are interacting with each other. We have to buy parts and equipment from the West Coast, because there is nobody in New Jersey who makes it. That is what you really need to build, a sort of economy -- a bunch of small, aggressive companies interacting with each other. To wait for universities to produce ideas, to patent them, and to have that trickle down to the economy, is a very long process. The companies that are out there now have done so, often because they left larger corporations and took the risk to start a company. They are the people who are most times sensitive in terms of getting those ideas to the market.

Technology transfer -- a 5% set-aside-- I would love to see that directed directly towards helping, say, investment in these companies, rather than spending 5% of that money to allow companies to go to the Advanced Technology Centers, and say, "Gee, do you have any inventions that we could commercialize?" I don't think that is practical.

MR. CROSBIE: Well, that's not quite how it works, but I understand. The 5% set-aside requires the interaction, and it is aggressively going out into those markets and helping those companies. So, it is doing much of what you want to see in the way it is devised.

DR. AYERS: Okay. Well, that concerns the seed part. The Product Development Corporation, I think, is a great idea. I would like to suggest that perhaps the time requirement of five years might be reduced to three years. There is an iffy

time somewhere between probably three and five years where you know that the company is viable enough to keep going, but to wait five years, you might have already passed some sort of a threshold. So, if possible, that might be reduced to three years time.

ASSEMBLYMAN COLLINS: Just to comment on the three to five years, when this started -- I guess it was last year -- it was three years, and when it went through the Committee process, with testimony such as we are having today, there was a feeling that it should be increased to five years. The reason that was accepted at that time was that, you know, at three years you are really just-- Maybe you have made it over the hump. How we came up with that theory, I don't remember, or claim any expertise in it, but then at the five-year level, you would have been over the hump and starting to get yourself solidified, and so on. You know, I guess we could go on with three years, five years, seven years, one year, but that is where it came from. That is the only point I wanted to make.

DR. AYERS: Well, again, it is probably the decision of whoever is running this organization. But, you know, three years is sort of a critical time, because most companies-- You can see that there is something more than a concept, and there is some real viability to it. That is a time when money for growth is really important.

In this State now, banks are very hesitant to loan without-- For example, in our case, and in much larger company cases, it always comes with a requirement for a personal guarantee, which is okay, but even the money for that is very hard to get. Even the State program -- the State's own SBA program -- requires so much paperwork, that the companies are usually not willing to go along with it. They will try to get it somewhere else.

Venture capital, in general, does want to take too much equity and, again, the real issue is, what is the

motivation for getting these companies going? If a large amount of equity is taken away, then it ruins the motivation for that, and people are just not going to do it.

At any rate, there is some number, whether it is three years, five years. Perhaps we could consider it more after we hear some more testimony. But I think three years is certainly what I would say is a lower stage for that -- a lower time frame.

I would like to make another point, too. If it is possible to phase this in, if this program is successful, \$10 million isn't going to be enough. You certainly, with bond issues, don't want to get the citizenship feeling that every two years they are going to be asked for another \$50 million for this event. I have seen some comments about the State being concerned about their AAA bond rating. I would like to see that maintained, too. So, when the request is made, there might be a way to stage financing so that if it is successful and the Commission does achieve some sort of a goal, then in two or three years time, perhaps another level of money could be appropriated from the Legislature, or from another bond issue, or something.

I think long-term thinking about, how could the next level of financing be drawn into this organization, would also be helpful to continue its activities.

Finally, I would like to make a comment regarding the Commission on Science and Technology's request to add -- I am assuming it was Dr. Cohen as an ex officio member.

ASSEMBLYMAN COLLINS: Well, there was no name put to it.

DR. AYERS: Okay.

MR. CROSBIE: (speaking from audience) The Chairman of our board.

DR. AYERS: Is that Dr. Cohen?

MR. CROSBIE: No, that would be Jim Mathis. Or, it would be his designee, which would probably be Mr. Cohen, but under the form, it should be the chair.

DR. AYERS: Okay. I would like to recommend against that, for a couple of reasons. When the Commission on Science and Technology was established, it was established with really the presidents of the major corporations in the State -- Bell Labs, Exxon -- the large corporations. There was one venture capital member on that committee, too, and the venture capital member recommended against this Commission on Science and Technology getting involved in seed capital financing, because he felt that was the role of venture capitalists. Well, it is a little like asking, do you want the State to take your business away? I mean, venture capitalists are obviously trying to invest and make the best they can out of those investments. But to ask a venture capitalist, would you like the State to get involved in venture capital, is a strange question to ask, I think.

So, the Commission on Science and Technology has recommended in their inception not to get involved in seed technology. It is my impression, hearing a number of members on the Commission on Science and Technology over the last few years, that their model is this university invention. Professors will either leave the universities to start companies, or ideas will be trickled down. I don't think that is realistic. I don't think it is black and white either. I think we really need a combination of the Science and Technology Centers and strong companies. I believe the Commission really just has a bias towards the technology centers, which would be detrimental to helping this organization get up and going.

Another way to turn it around, though, might be to, say, have the Commission on Science and Technology allocate a certain percentage of their operating budget to help this

commission get up and going. That way they would have a financial involvement to see it succeed, rather than just an ex officio position to veto, or not help this company--

ASSEMBLYMAN COLLINS: Well, they wouldn't have the veto power. I could just feel the enthusiastic climate that was in that group behind you when you mentioned that about getting some of their money up. Boy, they were--

With regard to the ex officio member, that person will not have veto power, or whatever else. As ex officio, he would be there just as a resource person. All I can tell you on that is, I, for one, will -- and there are only three of us here who are going to make the vote on the amendment-- Assemblyman Franks has accepted that idea. Am I not correct on that? (no response) He would be the one, if he wants to add that to his bill. I don't have any real problem with it. I can understand your concerns, but I don't think they are going to have this unwieldy power that you may see. But, if you want to speak to Assemblyman Franks-- He is gone now, but if you want to catch him along the line, you will have every opportunity to do so.

DR. AYERS: Okay.

ASSEMBLYMAN COLLINS: Thank you very much for your testimony.

Norma LoSavio and/or George Nagle, Department of Commerce, Energy and Economic Development? I hope it is going to be the and. It is, good.

N O R M A L o S A V I O: I don't have to sit up there. George is the Director of the Office of Economic Research in the Department of Commerce, Energy and Economic Development. But I will be happy to answer any questions, if I can.

ASSEMBLYMAN COLLINS: Welcome, both of you. Mr. Nagle?

G E O R G E N A G L E: Thank you. I certainly appreciate the opportunity again to comment on legislation creating the New Jersey Venture Investment Fund and the New Jersey Product Development Fund. Basically, the Department does support these

bills. We have found through our own experiences that small enterprises, start-ups, research stage businesses have particular problems in financing their early stages of growth. Meanwhile, the kinds of financial assistance that we can offer through the Department, or through the Economic Development Authority are limited to ongoing, existing, well-established businesses, businesses with a financial track record. Thus, what we really have is a financing gap in our programs that, either by design or by accident, discriminate against the small, potentially high growth businesses.

On another side, alluding to some of the things that John Crosbie mentioned, this State has now committed almost \$200 million to a science and technology economic development program. Most of those funds are dedicated towards enhancing the research and development of new products. What the missing ingredient is in the program, is a way to finance these projects to get them off the lab bench and into commercial realities.

I intended to come in with a list of other states that have had some similar kinds of programs. I was not able to assemble this, but I know of a number of programs existing in other states, and if they are carefully integrated to an overall business assistance program, they appear to be very successful.

I know a Venture Investment Fund or a Product Development Fund for the State is a rather bold step for the State to take, but I think it is a timely step now that job growth is slowing down, business formation is slowing down, and the prospect of attracting business from other states is becoming far more risky. I think this is an opportune time for our State to move ahead on these kinds of programs.

I would also like, with your permission, to ask Gene Bukowski, of the Economic Development Authority, who has far more financing experience than I, to make a few comments on the bills.

ASSEMBLYMAN COLLINS: Okay. Mr. Bukowski?

E U G E N E B U K O W S K I: Thank you. I am Gene Bukowski. I am Finance Director for the New Jersey Economic Development Authority.

As our Authority is named in both of the bills, and we would be intimately involved with both bills, we would just like to comment that, after having reviewed both bills, we are of the opinion that we could effectively administer both bills, as they are presented. We have no significant problems with anything in the bills, and we would be prepared to take an active role in both bills.

MR. NAGLE: Just one other comment: I don't think these programs are entirely dedicated towards high technology types of businesses either. Our Urban Development Corporation, which is investing in urban areas, also has a business incubator program, where they are quickly looking for a seed type investment fund to assist those businesses. So, I think there are very widespread applications possible here.

ASSEMBLYMAN COLLINS: Yes. I didn't see it as just science and tech, though, of course, that is still the wave of the future. We do have other areas, particularly the manufacturing area.

Any questions?

ASSEMBLYMAN MARSELLA: Yes, let me ask a question.

ASSEMBLYMAN COLLINS: Assemblyman Marsella?

ASSEMBLYMAN MARSELLA: Say everything goes down -- which I think it will -- the way it is programed to go down, the bills pass the Legislature, the bonding question is put on the ballot, and the voters approve that and the \$20 million is available, how are we going to attempt-- How will the money then be distributed? Would it be done equally across the State? I mean, will we look into the southern part of the State, where we have high unemployment? As far as when this business venture comes into place, will we be looking for some

venture down in the southern part of the State, or will we stay in the northern part? Will you be able to determine that? Would you be concerned about that?

MR. BUKOWSKI: I would say we would probably be concerned about it. Would we be able to determine it? No, I don't think we could.

ASSEMBLYMAN MARSELLA: But the idea would come into your Department -- whoever has this idea of a new product? Then, as I understand how the bill works, you would see what company has been in business for five years that could help to promote this product. Is that correct?

MR. BUKOWSKI: Well, as I read the legislation, a company would come to us and say that they now have a product that is ready. It is out of the development stage and is ready for the production stage, and they need the financial assistance to get their manufacturing, or their plant off the ground and up and running. Where that would come from, there is no way to say.

From experience over the last four years at the Authority, we have traditionally done most of our lending in the northern part of the State. In recent months, and probably within the last two years, there has been a significant increase in activity at the Authority in the southern portion of the State -- in Bridgeton, Cumberland County, and the Cape May area, where we had very little involvement five years ago. It has started to evolve down in the South Jersey area. There are probably several reasons for it: One, the availability of employment; two, the availability of ground or buildings at rates that are much more affordable than they are, for example, in Newark today, with the advent of companies moving from New York. Number three, the improvements that have taken place to the transportation system. In the not-too-distant future, Route 55 will be completed, which will greatly open up that area.

ASSEMBLYMAN MARSELLA: I guess the question I really wanted to ask, and I might as well just ask it point blank, is, if the voters approve the \$20 million, how can we, as southern New Jersey legislators, guarantee some of the dollars coming south? I guess we ask that question all the time.

MR. BUKOWSKI: I think the only way that you could guarantee that a certain percentage of the dollars would only be used in the southern part of the State, would be if it were written in the legislation to allocate certain amounts of money for each part of the State. We are faced with the problem. We take applications as they are presented to us. We don't decline somebody in the northern part of the State because we think there may be something coming up three months from now from the southern part of the State. If we did that, we could find ourselves sitting doing nothing for a number of months.

ASSEMBLYMAN COLLINS: It seems that Assemblyman Hudak has something wrong with his neck there. He keeps twisting it. (laughter)

MR. BUKOWSKI: The Local Development Financing Fund program, which we help to administer through my Division-- I believe they have percentage requirements in there where only a certain amount of dollars can go to each county. If it's, you know, the Reinvestment Development Authority, they have allocated specific amounts of dollars available for one city, and they won't go over that amount.

ASSEMBLYMAN MARSELLA: Right.

MR. BUKOWSKI: You do run the risk, though, that you are going to have funds sitting idle.

ASSEMBLYMAN MARSELLA: The first five years of the Casino Fund was supposed to be spent -- well, I guess was spent in Atlantic City. That is the way I understood it.

MR. BUKOWSKI: That's right. And then it rippled out from there.

ASSEMBLYMAN MARSELLA: And then after that, it started to ripple out into all the other counties, I guess.

But let me just understand one thing, though: As I understand it, it is an investment venture type of a thing. Okay? And in the law it says that the company, as it is amended -- or, not amended, but after last year's version-- In order for us to lend the money, or to get involved, the company has to be in business for five years. Is that correct? That's what it says. (several people answer at once here) From one to five.

ASSEMBLYMAN COLLINS: Right.

MR. BUKOWSKI: Yeah, it has two breaks in it, I think; up to five, and then five and over.

ASSEMBLYMAN MARSELLA: Right, okay. All right, fine.

ASSEMBLYMAN COLLINS: On page 7 of the legislation -- and you can look or not look -- point (7), "The new product for which the investment is being made is feasible and has the potential to achieve commercial success; that the enterprise has the reasonable potential to create a substantial amount of full-time, nonseasonal employment per dollar invested; and that the employment created because of the investment will be located in the State--"

To spin off of Assemblyman Marsella's point, with some good-natured kidding earlier about Raccoon Creek and so on, we are concerned, as we should be, I think, as representatives of the southern part of the State. Some of the points we have heard here today -- and, Mr. Nagle, you just said that it is also tied to urban development programs, and so on-- Well, of course, once you put that extra appendage to anything, when you are talking about urban, you are surely not talking about the southern part of the State.

Now, I am a big boy who can count numbers, and we have a lot of people in the northern part of the State, and they should get their just due. But when we are looking at something like this, and nowhere in here do I see tied unemployment-- I am not saying it should be tied. We do have

this line about, "to create a substantial amount of full-time, nonseasonal employment--" We have Cumberland County, which is represented by three members of this Committee, which has some of the highest unemployment in the State. Salem County, which is my county, has some.

Would it be feasible to at least think about the unemployment aspects in this? Is there any way you can see -- without putting you totally on the spot, Mr. Bukowski, as the person who decides it-- But, is there any way, in any of the programs you have, that the unemployment factor is involved at the present time, and could it fit in here -- wherever that may be, north, south, or whatever?

MR. BUKOWSKI: The unemployment factor is something that we do take into consideration at the Authority to specifically target some of our programs. That is because we have Urban Aid municipalities, and also targeted municipalities, which are not necessarily Urban Aid municipalities. The designations of a targeted community are arrived at by the amount of unemployment in the community, as compared to the State average, as well as the ratables in the community, as compared to the State average, and the median income in the community, compared to the State average.

So we do take those things into consideration. Certainly unemployment is one of the high priority items. The charge of the Authority is to increase ratables and increase employment. So certainly, high unemployment areas we try to give our utmost priority to. The problem is, though, not every applicant we have is located in an area of high unemployment. I can say, though, that in the last two years or so, we have seen a significant increase in activity in the southern part of the State -- in the Bridgetons, the Vinelands, and the Millvilles. In fact, just last week, we participated in a seminar down in Commercial Township, which is probably one of the poorest townships in the State, to make the businesspeople

in that township aware of our programs, and to tell them, you know, "We are here to try to give you assistance, and the way you have to go about getting the assistance is to contact us."

ASSEMBLYMAN COLLINS: So, you say that you do look at that. You wouldn't feel-- Well, that is more of a statement than a question. Would you feel that the legislation would be binding at all if we put into the legislation a statement that you are to consider in your decision-making process the unemployment situation in the particular area of the applicant? Consider it, is all I'm saying. We still wouldn't be controlling, in that sense, where the ideas would come from. If all of the ideas were from our most affluent areas, or areas with the least unemployment, there would be no problem. But it does seem to me, with Tony, you know, bringing the point up, that-- I would feel more comfortable at least if we had it written down, as you said; you know, if it were in the legislation. It could be a directive. This could be a directive in the legislation to have you do one thing: consider the unemployment situation of a particular region. We don't have region defined. Region could be statewide, I guess. But I would feel more comfortable. I don't know about Assemblyman Marsella.

ASSEMBLYMAN MARSELLA: Yeah, I think that is a good point.

ASSEMBLYMAN COLLINS: It could be something we could add in there.

MR. BUKOWSKI: Just for your information, one other thing that we do at the Authority when we have an application from a company which wants to relocate from one community to another, even within the State, is, we look very hard at those applications, and the company has to satisfy us that they have made every effort to stay within the municipality where they are; that there is just not available space for them in that municipality for one reason or another. If they are locating

to a community nearby, we also require them to offer the employment to their existing employees, and help them to continue their employment at the new location. In some cases, customers of the Authority have actually provided vanpool service for their employees, to keep them employed. That is a two-way street. It is good for the company because they have their trained employees, and it is certainly good for the employees, because they are not looking for employment.

ASSEMBLYMAN COLLINS: Okay. Any questions? Assemblyman LoBiondo? (no response) Okay, thank you very much, gentlemen. We appreciate it.

Mr. Fenwick, you indicated before I called on those people that you wanted to make a comment. Would you still like to do that?

H U G H F E N W I C K: May I, sir?

ASSEMBLYMAN COLLINS: Surely. Will you please come forward? Is there anyone else who wishes to testify on these bills? (no response) Okay, thank you. Mr. Fenwick's will be the final comment in the hearing portion of our meeting.

MR. FENWICK: Thank you, Mr. Chairman. I believe one of the compelling arguments to Assemblyman Franks accepting the change of the Chairman of the Commission on Science and Technology as an ex officio member of the advisory board-- I think one of the telling reasons was to provide a continuity for the State's investment of -- we've heard the figure \$200 million. The board might tend, even for that amount of money, to forget that that is a resource that a great deal of public money has been put into, and not use it for the technology transfer purposes; not use it for faculty review purposes, if a faculty can, either through the set-aside mechanism or on a volunteer basis, or through their own interests in a particular technology-- I do not believe it ever entered the sponsor's mind that it would be used as a veto. I think it was meant entirely as a broadening of the base of the resource available to the advisory board.

May I address the question of employment, sir?

ASSEMBLYMAN COLLINS: You may. Are you going to solve unemployment in some areas?

MR. FENWICK: No, sir, but I was absolutely stunned, working with the Southern New Jersey Technological Consortium, to see just how much can be done in southern New Jersey about employment in the technological area. The question is, how does one set up some of the basic infrastructure so that employment in the area that the Commission is interested in is more like to happen?

It was very, very interesting, what I learned. One thing was that the Cumberland Enterprise Technology Center, in Millville, was a good idea, so we funded one in Atlantic County, to take advantage of the technology coming out of the FAA (indiscernible) Center there.

Another was, people have to travel too far, very often out-of-state, in southern New Jersey to get a graduate engineering education. So we funded -- seed funded -- graduate engineering education in southern New Jersey by satellite. There is one in Salem County, one in Atlantic County, one in Burlington County, and there is one going in, I believe, in Ocean County.

So, we have companies in the Small Business Innovation Research Program in southern New Jersey. Camden County has done extremely well. Atlantic County is coming on; Ocean County is coming along very nicely; and Monmouth, which is not really one of the southern counties. The idea of saying we are going to do something about unemployment, and looking at it from that point of view, I am not sure is as productive, as looking at it from the point of view of, what environment we can create in which unemployment is the inevitable consequence. It is not the issue of putting money in people's hands and a stick and a nail on the end of the stick and having clean parks, because then you will have very clean parks, but you will have unemployment at the end.

If you get your graduate engineering education, you will have technology. If you have incubators, you will have companies. Then you will have opportunities for a Venture Investment Fund, or a Product Development Fund. But it is getting the sequence right, and understanding how the research and development flows into technology -- transfer flows into education -- well, education would be even before that -- into corporate development, into a Product Development Fund, into profits, into taxes. As long as that sequence is kept in place, the unemployment is going to be addressed. It is going to be solved, if you do it the right way. Your problems are different in Linden, where you have a retraining, as much as any other--

Southern New Jersey is very interesting in that regard. I came away with a very positive feeling, although I thought I was going to come away saddened by the opportunities. No, not at all. It just has to be done in a rather systematic way.

Thank you, Mr. Collins.

ASSEMBLYMAN COLLINS: Thank you, Mr. Fenwick.

I would like to thank all of you who have participated in this hearing. I thank you, Assemblyman Hudak, for introducing this legislation and for making your testimony today. At this time, the hearing on Assembly Bills 111 and 1830 is concluded. Thank you.

(HEARING CONCLUDED)

APPENDIX



New Jersey
Business & Industry
Association

102 West State Street • Trenton, New Jersey 08608-1102 • 609-393-7707

STATEMENT

OF THE

NEW JERSEY BUSINESS AND INDUSTRY ASSOCIATION

BEFORE THE

***ASSEMBLY ECONOMIC GROWTH, AGRICULTURE &
TOURISM COMMITTEE***

ON

A-111 & A-1830

NOVEMBER 10, 1988

Good afternoon Mr. Chairman and members of the Committee. My name is Donald M. Scarry; I am an Assistant Vice President at the New Jersey Business and Industry Association. I would like to make a few comments on A-111 (Villane) and A-1830 (Franks and Hudak). The Association would like to urge this Committee to react favorable with regard to both of these bills.

OVERVIEW

In June of 1988, there were about 3.7 million persons employed in the nonfarm sector of our economy. Of those, about 18%, just under 670 thousand, were employed in our manufacturing sector. In 1983, this figure had been just over 715 thousand. These manufacturing employees were more or less evenly distributed across the durable and nondurable goods producing sectors. The balance of employed persons were distributed across the following nonmanufacturing sectors:

Mining	2.4 thousand
Construction	181.1 thousand
Transportation and Utilities	243.9 thousand
Wholesale & Retail Trade	877.0 thousand
Finance, Insurance & RE	236.0 thousand
Services	905.5 thousand
Public Sector	552.3 thousand

From these data we can see that currently the largest employing sectors are "Services," approaching 25% of total nonfarm payroll--905 thousand, and "Wholesale and Retail Trade," with 877 thousand persons or about 23% of the total. The "Public Sector," with 552 thousand persons is bigger than either durable goods manufacturing or the nondurable goods sector.

Our manufacturing sector has been declining for many years; both of these bills cite losses of more than 100 thousand jobs since 1979.

IMPLICATIONS

Why should we care about this situation? Hasn't overall employment growth been adequate enough? Why should we be concerned with the components of growth?

The nature of manufacturing activity is that it rarely addresses a local market. Because of the nature of the production process and economies of scale, manufacturing almost always serves regional or national needs; frequently even global trade patterns are factored in. The presence of manufacturing broadens the economic base of an economy, including, by the nature of trade, other states and regions and even other countries. This is healthy in that it allows the manufacturing economy to minimize the risk of dealing with a customer base that can disappear if one of its trading partners goes

into an economic slump. Manufacturing broadens the economic footprint of an economy.

Services, somewhat by nature, are more locally oriented. Retailing is the classic example of this. If an economy goes into recession, it's retail sector falls quickly and rapidly. A service economy has a very narrow base on which to stand. It is only peripherally connected to other economies, regions and nations of the world. Medical and business services may have a similar orientation.

The economy of New Jersey may, today, be more brittle, more capable of a precipitous decline in business volume and employment than if it has a significant manufacturing sector. A decline in the fiscal fortunes of our own state or any other state in the distribution region for manufactured goods would affect us less if we were fully interconnected to the nation through stable manufacturing facilities.

VENTURE INVESTMENT FUND

The New Jersey Venture Investment Fund is an attempt to encourage the development and commercialization of new products in New Jersey through the provision of financial aid. There will be three basic approaches available to the fund. The traditional loan approach; equity investments and royalties in various forms. These approaches will provide new tools to stimulate economic development and revivify our manufacturing sector.

We've seen the folly and the zero-sum-game nature of attempting to pirate new facilities from other states. Under this approach, when one state wins, another loses. We've lost more than our share of facilities to other states and nations during the past several rounds of this game.

It is time for this state to invest the money to rehabilitate this sector, generate home grown manufacturing industries and move on into the twentieth century.

We therefore urge this committee to act favorable on A-1380 and A-111.

