

June 29, 2020

ASSEMBLY BILL NO. 3959
(Third Reprint)

To the General Assembly:

Pursuant to Article V, Section I, Paragraph 14 of the New Jersey Constitution, I herewith return Assembly Bill No. 3959 (Third Reprint) without my approval.

This bill would establish the "New Jersey Hospitality Small Business Emergency Loan Program" and would appropriate \$100 million to the New Jersey Economic Development Authority ("EDA") to provide financial support to small businesses generally for the costs associated with business operation interruptions caused due to the impacts of COVID-19. Under the loan program, the EDA would be required to provide loans to small hospitality industry-related businesses to cover immediate, unavoidable expenses, other than payroll costs, throughout the duration of the COVID-19 emergency declared under Executive Order No. 103 (2020). The loans that would be provided under the bill would not be permitted to exceed \$10,000 per month and would be subject to terms and conditions set forth in the bill. The bill would require the EDA to make available no less than a total of \$5 million for the purpose of providing loans to hospitality businesses.

The COVID-19 pandemic is having a devastating impact on small businesses throughout the country and here in New Jersey. On a business level, the impacts of the crisis have reached every industry in the world, but the pandemic's impacts on the small businesses that drive the State's hospitality industry have been particularly acute. The bars, restaurants, and hotels that provide outstanding food, drink, accommodations, entertainment, and hospitality and our beach towns, colonial-era villages, and nature preserves, and our main streets, country roads, and urban centers, are a critically important component of the State's economy, and I commend the bill's sponsors for their efforts to assist these businesses during this extraordinarily challenging time.

However, this proposed program would duplicate the already existing efforts of the EDA, initiated after my colleagues in the Legislature authorized the EDA to provide grants during periods of emergency. This bill would require the EDA to establish an additional program exclusively for small hospitality industry-related businesses that is nearly identical to other programs for which these businesses already qualify. Through various programs, including the Small Business Emergency Assistance Grant Program, Small Business Emergency Assistance Loan Program, Community Development Finance Institution (CDFI) Emergency Loan Loss Reserve Fund, NJ Entrepreneur Support Program, and Emergency Technical Assistance Program, the EDA is providing financing options to small businesses facing economic hardship due to the outbreak of COVID-19. Since these programs launched on March 26, 2020, the EDA has assisted more than 6,350 COVID-19 impacted businesses through grant and loan approvals in excess of \$23.5 million. Nearly all of the assistance provided through these programs went to New Jersey small businesses. In the coming weeks and months, the EDA will provide assistance to tens of thousands of additional businesses through existing programs and new initiatives, like the recently announced expansion of the Micro Business Loan Program.

In addition to the duplicative nature of the loan program to be established through this legislation, I am concerned that the statutorily mandated criteria set forth in the bill are too inflexible to allow the EDA to effectively respond to the continually shifting impact of the pandemic on market conditions and the economy. The bill's rigid requirements for loan amounts, loan terms, interest rates, repayment schedules, and deferrals do not account for the evolving needs of small businesses. As the COVID-19 emergency continues, the EDA will need the flexibility to shape its recovery programs so that they are responsive to rapidly fluctuating market conditions.

The EDA has established a suite of highly effective programs that have provided a crucial lifeline to our State's business community during this unprecedented time. Rather than establishing an unnecessary and duplicative program that targets only a narrow segment of the economy, it would be productive to devise strategies and take steps to acquire the financial resources necessary to expand upon the work that is already underway. To that end, my Administration will continue to fight for federal assistance for the State and its small business community. However, without the ability to access loans through the federal lending facility and the public and private markets through passage of the New Jersey COVID-19 Emergency Bond Act ("Bond Act"), the State will not have adequate cash flow to support programs that are integral to our State's economic recovery, such as small business assistance programs. I look forward to working closely with my partners in the Legislature in the days and weeks ahead to enact the Bond Act into law in order to secure additional funding for economic recovery programs that are flexible and responsive to continually shifting market conditions.

Accordingly, I herewith return Assembly Bill No. 3959 (Third Reprint) without my approval.

Respectfully,

[seal]

/s/ Philip D. Murphy

Governor

Attest:

/s/ Matthew J. Platkin

Chief Counsel to the Governor