

Legislative Update

CONGRESSIONAL – FEDERAL EXECUTIVE BRANCH DEVELOPMENTS

Federal Appropriations for National SBDC Program

The full House Appropriations Committee released the FY 2009 financial services appropriations bill on June 25, providing for an appropriation of \$110 million for the Small Business Development Center national program. This funding level is \$12.9 million higher than FY 2008 funding and \$22.9 million over the President's budget request for FY 2009. The legislation will continue through the legislative process. Last year's congressional fiscal appropriations were not finalized until December 2007.

Small Business Administration (SBA) Office of Advocacy Releases Report

The SBA's Office of Advocacy released a June 23 report alluding to the fact that while "high impact" firms only make up about five percent of firms with employees, their effects are huge," creating America's new jobs and growth. These firms are on average around 25 years old and are not predominantly high-tech, but they exist in every region of the country. These firms are further defined as "those whose sales have at least doubled over a four-year period and have an employment "growth qualifier" of two or more.

Sarbanes-Oxley Compliance Requirements for Small Business Extended for One-Year Period

The U.S. Securities and Exchange Commission (SEC) will provide small businesses with additional time to comply with section 404(b) auditor attestation requirements, proceeding with a cost-benefit study of this section's implementation.

STATE LEGISLATIVE AND EXECUTIVE BRANCH DEVELOPMENTS

State Budget and Related Legislation Enacted

A \$32.86 billion State budget was enacted on June 30. This budget reduced spending by \$600 million, the second largest cut in spending year-to-year in New Jersey. Unlike prior budgets, there are no "Christmas tree" items or additional appropriations for legislators' home district pet projects.

Property tax relief through tax rebates received an increase assuring that 90 percent of homeowners continue to receive their rebates.

Reductions were made in charity care, municipal aid, higher education, and the operating budgets of executive departments in State Government. However, \$614 million more was allocated for preschool to grade 12 education, of which \$515 million is considered direct aid to school districts under last year's new funding formula.

Both the Department of Personnel and the Commerce Commission were eliminated but key functions transferred appropriately. The proposed elimination of the Agriculture Department did not transpire. The total de-funding by \$1 million of the NJ Small Business Development Centers was averted with half of its funding restored through

strong legislative support (*Specific coverage on how this budget impacted the NJSBDC and small business owners appears in a separate article on page 1*).

The budget appropriated \$194 million for the Business Employment Incentive Grant Program (BEIP) for firms that create jobs, an increase over the initially proposed \$179 million for these grant incentives.

The Early Retirement Incentive (ERI) program will largely help reduce the State's workforce by 2,000 positions and is expected to save \$91 million. Only 10 percent of the vacated positions can be backfilled. Other pension and health benefit reforms were made including, raising the retirement age from 60 to 62. These modifications are expected to accrue savings and protect the solvency of the public employee pension system.

The budget also delays the scheduled phase out of the Transitional Energy Facilities Assessment (TEFA) which was to occur in 2009-2010 By extending it to 2013, the State expects to raise \$62 million to earmark for hospitals, nursing homes, and Medicaid recipients.

On other budget related matters, the Assembly and Senate passed SCR-39 Lance/Watson-Coleman/Albano/Milam/Doherty/Dancer which proposes to amend the State Constitution requiring voter approval for any state borrowing by independent state authorities backed by state annual appropriations to pay down the principal and interest on such bonds issued.

Commerce Commission Abolished but Large Savings not Realized

S-1980 Smith B./ O'Toole/ Vas/ Lampitt, which abolishes the New Jersey Commerce Commission, passed the Assembly and Senate on June 23. The Governor signed the measure into law on June 30. The law transfers various functions to the New Jersey Economic Development Authority, NJEDA. The law creates the Division of Business Assistance, Marketing and International Trade within NJEDA which will oversee the Office of International Trade and Protocol, Office of Business Advocacy, and the Office of Marketing and Communications; the Motion Picture and Television Development Corporation is considered "in but not of" the new division.

Under the law, the Office of Business Services, formerly the Division of Development for Small Businesses and Women's and Minority Businesses, is officially transferred to the Treasury Department. Also transferred to the State Department are the functions, powers and duties relating to tourism improvement and development.

According to a fiscal statement prepared by the non-partisan Office of Legislative Services, the elimination of the Commerce Commission and the transfer of certain tasks to NJEDA only recognize a savings of \$475,000 as a result of final budget language appropriating \$500,000 to the NJSBDC. The initial savings had been projected at \$975,000.

Expansion of Healthcare Insurance and Reforms to Increase Affordability & Access

S-1557 Vitale/Singer/Cohen/Greenwald/Ramos/Burzichelli/Moriarty was approved into law on July 7, 2008 after having passed both Houses of the Legislature on June 23. The law attempts to increase affordable healthcare coverage by first expanding the New Jersey Family Care program. The bill mandates that all children in the state have health coverage through the State or private coverage and adopts other reform measures, including revisions to the small employer insurance markets to increase affordability. This is the first phase of a comprehensive reform package moving towards universal healthcare coverage for all state residents; healthcare insurance costs are rising and represent one of the greatest costs small businesses incur in executing business operations.

Tax Exemptions Promoting Renewable Energy Systems

The Legislature in June passed ***Senate Committee Substitute for S-241, 394, 710, 1098 Adler/ Bateman/Smith/Sweeney/Haines***, providing for a property tax exemption for the use of renewable energy systems, which are commercial, industrial or mixed-use in nature. Such systems extend to alternative energy sources such as solar, geothermal, hydropower, and other such mechanisms. The bill is intended to provide incentives to residents and business to save energy through alternative sources other than the power grid.

Unemployment Insurance (UI) Fund Kept Solvent

Both the Assembly and Senate unanimously passed ***S-1698 Buono/Kean T./Greenwald/Milam/Schaer***, providing a supplemental appropriation of \$260 million from the past 2008 budget surplus in order to avoid an automatic tax increase on employers caused by shrinking or depleted balances in the UI fund. This law will augment the fund balance, thereby, preventing a trigger for tax increases on employers. Unemployment payments to laid-off workers are funded by both employer and employee contributions in payroll deductions. The Governor approved the legislation into law on June 19. This problem concerning low unemployment reserve balances is confronting many states across the nation.

Paid Family Leave Mandate

New Jersey became the third state in the nation to mandate up to six weeks of paid family leave for all employees. Under the law, which was signed by the Governor on May 2, employees can receive two-thirds of their pay, up to a maximum of \$524 per week. In order to pay for the program, there will be an increase in payroll taxes on all workers beginning January 2009. Paid leave for employees began in July. Small employers with 2-49 employees would incur no legal liability if they do not hold open the position for an employee on leave under this program.

Bolstering the Construction and Real Estate Industries during Economic Downturn

The Assembly and Senate passed ***A-2867 Greenwald/Malone/Cryan/Biondi/McHose/Sarlo/Van Drew***, entitled "The Permit Extension Act of 2008." Due to the national recession and its further impact on the State's economic downturn, the real estate and construction industries are being hit hard. In order to prevent unnecessary costs related to delayed projects for which municipal, county, and/or State permit approvals have already been authorized, this law extends the time period for a permit so that approvals that may be expiring prior to the completion of such construction projects, can be automatically

extended during this national recession period. Such an extension prevents the additional expenditure of time and monies to re-initiate such a permit approval process. The bill is pending approval by the Governor.