

ASSEMBLY BILL NO. 3965
(First Reprint)

To the General Assembly:

Pursuant to Article V, Section I, Paragraph 14 of the New Jersey Constitution, I herewith return Assembly Bill No. 3965 (First Reprint) without my approval.

This bill would expand an existing loan program administered by the New Jersey Economic Development Authority ("EDA") to include loans to an eligible "small producer or retailer of alcoholic beverages" for qualified operating expenses during a pandemic. These loans would be issued until the Governor rescinds a declared state of emergency and public health emergency pertaining to a pandemic and would be at an interest rate equal to the prime rate or up to three percentage points above the prime rate. The bill also would expand the non-emergency loan program to allow the EDA to provide, on a permanent basis, loans to a small producer or retailer of alcoholic beverages to be used for "qualified small producer or retailer capital expenses." As defined in the bill, a "qualified small producer or retailer capital expense" is an amount paid by a small producer or retailer for the purchase of plant, machinery, equipment, or other associated items, for the purpose of an expansion of the business model of the small producer or retailer to alleviate the financial burdens or economic hardship imposed by a pandemic and use by the small producer or retailer within the State in the manufacture, sale, or both, of alcoholic beverages.

The COVID-19 pandemic is having a devastating impact on small businesses throughout the country and here in New Jersey. Small producers and retailers of alcoholic beverages have not been immune from the devastating impacts of the crisis. The State's burgeoning artisanal beverage industry has been the fastest growing in the entire country over the past five years. The hundreds of craft

breweries, distilleries, cideries, and meaderies that call the Garden State home exemplify the State's innovation economy, and I commend the bill's sponsors for their efforts to assist these businesses during this extraordinarily challenging time.

However, the program proposed in this bill would duplicate the EDA's existing efforts. Indeed, the bill would require the EDA to establish an additional pandemic-related program exclusively for small producers and retailers of alcoholic beverages that is nearly identical to other programs for which these businesses already qualify. Moreover, the EDA already offers financing for wineries and vineyards through various existing products, including the Premier Lender Program and Access, as well as through regular direct loans provided through the Small Business Fund. To date, the EDA has promoted the availability of these programs through the Garden State Wine Growers Association. The EDA has also provided financing to craft and microbreweries through its existing suite of programs.

The EDA has established a collection of highly effective programs that have provided a crucial lifeline to our State's business community during the unprecedented economic turmoil caused by the COVID-19 pandemic. Through various programs, including the Small Business Emergency Assistance Grant Program, the Small Business Emergency Assistance Loan Program, the Community Development Financial Institutions (CDFI) Emergency Loan Loss Reserve Fund, the NJ Entrepreneur Support Program, and the Micro Business Loan Program, and E-Commerce Technical Assistance Program, the EDA has made more than \$115 million available to help businesses with cash flow and working capital shortfalls, and to reimburse lost revenue resulting from COVID-19-related business interruptions. Since the first of these programs launched on

March 26, 2020, the EDA has assisted more than 16,000 small businesses through these programs. In the coming weeks and months, the EDA will provide assistance to additional businesses through existing programs and new initiatives, including the recently announced New Jersey Small and Micro Business Personal Protective Equipment (PPE) Access Program and the \$10 million expansion of the Small Business Emergency Assistance Loan Program.

In addition to the duplicative nature of 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 pandemic's constantly changing impact on market conditions and the economy. The bill's rigid requirements 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. I look forward to working closely with my partners in the Legislature in the days and weeks ahead to advance additional economic recovery programs that are flexible and responsive to continually shifting market conditions.

Accordingly, I herewith return Assembly Bill No. 3965 (First Reprint) without my approval.

Respectfully,

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/s/ Philip D. Murphy

Governor

Attest:

/s/ Matthew J. Platkin

Chief Counsel to the Governor