

December 14, 2020

SENATE BILL NO. 1957

To the Senate:

Pursuant to Article V, Section I, Paragraph 14 of the New Jersey Constitution, I herewith return Senate Bill No. 1957 without my approval.

This bill would establish a permanent source of funding for the New Jersey Manufacturing Extension Program, Inc. ("NJMEP"), or an appropriate successor, from the Workforce Development Partnership Fund ("WDPF"). The bill would require that \$1.5 million be taken annually from the portion of the WDPF reserved for and appropriated to the Office of Customized Training and diverted to the NJMEP. The NJMEP is a private, not-for-profit organization that works with New Jersey's small to mid-sized manufacturers to help them become more efficient, profitable, and globally competitive.

My Administration strongly supports workforce development and education programs, such as the programs carried out by the NJMEP, that assist New Jersey employers with meeting their workforce needs. To that end, my Administration has partnered with NJMEP on joint projects and other strategic initiatives, including a program aimed at making high school students aware of the opportunities for, and benefits of, careers in manufacturing. I am concerned, however, that this bill does not establish a clear and sustainable funding mechanism to both support the \$1.5 million annual award to the NJMEP and maintain the continued viability of the WDPF, which provides crucial funding for many of the State's job training efforts.

To be clear, I agree with the bill's sponsors that the NJMEP should be prioritized along with the many other programs supported by the WDPF. I was very pleased to have reached an agreement with my partners in the Legislature concerning the State's spending

plan for Fiscal Year 2021 that included a \$1.5 million appropriation to the Business Action Center in the Department of State for the NJMEP. Fiscal Year 2021 was the third consecutive year in which the State provided funding to the NJMEP through an appropriation made to the Department of State. Notably, the funding for the NJMEP has steadily increased under my Administration, increasing from \$250,000 in Fiscal Year 2019 to \$500,000 in Fiscal Year 2020 to its present \$1.5 million allocation this Fiscal Year.

While I have been proud to support the NJMEP's mission, I am concerned that prescribing a specific minimum annual award to the NJMEP from the WDPF will hamper the Department of Labor and Workforce Development's (the "department") flexibility to allocate WDPF monies to effectively serve the priorities of the WDPF from year to year. Such flexibility is critical to ensuring that the department is able to quickly and appropriately respond to the State's evolving workforce needs.

I am also concerned about further reducing funding to the Office of Customized Training, in recognition of the fact that diversions of this funding have frequently occurred in recent years. Under current law, the Office of Customized Training receives thirty-seven percent of the money in the WDPF for programs under its purview, including the administration of grant monies directly to businesses in the State. When the dedication to the Office of Customized Training in the WDPF was created in 2001, the earmark for the Office of Customized Training was forty-five percent of available funds. Over the years, diversions from the Office of Customized Training have continued to rise and the actual allocation to the office has significantly declined. This decline in funding has wide ranging implications for the State. Employers

provide matching funding for Office of Customized Training grants, so for every award, the actual output as a capital expenditure invested in New Jersey is double what the State pays out of the fund. For every \$1 million in funding diverted from the grant allocation, there is a corresponding twenty-eight grants that cannot be given to businesses. That level of reduction would impact approximately 2,000 people each year who would not receive training and would result in \$2 million less in investments in the State's private sector workforce. While I am open-minded on the appropriate levels of funding for the NJMEP and Office of Customized Training, I believe that these discussions should occur in the comprehensive context of the overall budgetary process.

I commend the sponsors of this legislation for their support of the State's invaluable manufacturing sector. Improving the quality levels, productivity levels, and profitability of the State's small and mid-size manufacturing businesses is a goal we all share. I look forward to working collaboratively with my legislative colleagues to ensure that spending commitments such as those proposed in this bill are established in a coordinated manner so that we can continue the collective process of building a stronger and fairer New Jersey.

Accordingly, I herewith return Senate Bill No. 1957 without my approval.

[seal]

Respectfully,

/s/ Philip D. Murphy

Governor

Attest:

/s/ Parimal Garg

Chief Counsel to the Governor