ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 2928

STATE OF NEW JERSEY

DATED: JUNE 17, 2010

The Assembly Appropriations Committee reports favorably Assembly Bill No. 2928.

The bill appropriates certain federal and State moneys to the Department of Environmental Protection (DEP) for the purpose of implementing the 2010 New Jersey Environmental Infrastructure Financing Program, which is expected to finance approximately $821 million in environmental infrastructure projects for State Fiscal Year 2011.

The New Jersey Environmental Infrastructure Financing Program has completed twenty-three annual financing cycles and financed 749 projects totaling over $4.6 billion throughout the State. The program has reduced financing costs for project sponsors by approximately 25 – 30 percent. From its inception, the program has saved borrowers approximately $1.93 billion, generated construction jobs, and stimulated significant improvements to the State's clean water and drinking water infrastructure.

The 2010 New Jersey Environmental Infrastructure Financing Program consists of three loan programs: the Traditional Financing Program, which comprises the large majority of program loan activity, the Planning and Design Financing Program established pursuant to section 1 of P.L.2009, c.59 (C.58:11B-9.2) and the Emergency Loan Program established pursuant to section 4 of P.L.2007, c.138 C.58:11B-9.1). Projects that are approved to receive Traditional Financing may also receive Interim Financing which provides project financing from the receipt of pre-award approval and project certification until issuance of the project's long-term bond financing under the Interim Financing program established pursuant to subsection d. of section 9 of P.L.1985, c.334 (C.58:11B-9).

Approximately $549,000,000 will be available for clean water project loans and $272,000,000 for drinking water project loans under the Traditional Financing Program. Funding sources for the program include prior federal capitalization grants, State bond issue proceeds, and various prior legislative appropriations, loan repayments, interest earnings, and market rate loans made by the New Jersey Environmental Infrastructure Trust (Trust).

The 2010 Clean Water State Revolving Fund grant is $84,100,000, and the 2010 Drinking Water State Revolving Fund grant is

$28,995,000. Approximately $16,552,000 of the 2010 Clean Water State Revolving Fund grant together with $5,517,000 million in Trust loans will be utilized to finance green and energy efficiency clean water projects totaling $22,069,000. Approximately $5,799,000 of the 2010 Drinking Water State Revolving Fund grant together with $1,933,000 million in Trust loans will be utilized to finance green and energy efficiency drinking water projects totaling $7,733,000.

Approximately $30 million of the 2010 Clean Water State Revolving Fund grant together with $10 million in Trust loans will be utilized to finance clean water redevelopment projects totaling $40 million. Approximately $24,978,000 of the 2010 Clean Water State Revolving Fund grant and $8,800,000 of the 2010 Drinking Water State Revolving Fund grant will be utilized for principal forgiveness loans. Principal forgiveness loans will consist of 50 percent Trust Loans and 50 percent Fund loans, wherein one-half of the Fund loan is subject to principal forgiveness. There is a project cap of $2.5 million for principal forgiveness per project. No project sponsor may receive principal forgiveness in excess of this amount regardless of the number of projects it is sponsoring. However, a borrower sponsoring multiple projects on the clean water project list may combine the projects and utilize all or any portion of the $2,500,000 on any one or more projects of its choosing. Long-term financing loans will be made on the basis of priority ranking. Principal forgiveness loans would be based on priority ranking.

The bill appropriates to the DEP moneys from:

(1) the Clean Water State Revolving Fund established pursuant to section 1 of P.L.2009, c.77, in an amount equal to the federal fiscal year 2010 capitalization grant made available to the State pursuant to the Federal Clean Water Act for clean water project loans;

(2) the “Interim Financing Program Fund” created and established by the Trust pursuant to subsection d. of section 9 of P.L.1985, c.334 (C.58:11B-9), in such amounts as may be necessary to supplement the sums appropriated from the Clean Water State Revolving Fund for clean water project loans and providing the State match as required or will be required for the award of the capitalization grants made available to the State pursuant to the Federal Clean Water Act;

(3) the Drinking Water State Revolving Fund established pursuant to section 1 of P.L.1998, c.84, in an amount equal to the federal fiscal year 2010 capitalization grant made available to the State pursuant to the Federal Safe Drinking Water Act for drinking water projects;

(4) the "Wastewater Treatment Fund" established pursuant to section 15 of the "Wastewater Treatment Bond Act of 1985," (P.L.1985, c.329), in amounts constituting the unappropriated balances therefrom for clean water project loans and providing the State match as required or will be required for the award of the capitalization grants made available to the State pursuant to the Federal Clean Water Act for clean water projects.

The bill authorizes the DEP to transfer from the Clean Water State Revolving Fund to the Drinking Water State Revolving Fund an amount up to the maximum amount authorized to be transferred pursuant to the Federal Safe Drinking Water Act to meet present and future needs for the financing of eligible drinking water projects, and appropriate an amount equal to this maximum amount to the DEP for those purposes.

The bill further appropriates to the DEP moneys from:

(5) the “1992 Wastewater Treatment Fund” established pursuant to section 27 of the “Green Acres, Clean Water, Farmland and Historic Preservation Bond Act of 1992,” (P.L.1992, c.88), in amounts constituting the unappropriated balances therefrom for the purposes of clean water project loans and providing the State match as required or will be required for the award of the capitalization grants made available to the State for clean water projects pursuant to the Federal Clean Water Act;

(6) the “2003 Water Resources and Wastewater Treatment Fund” established pursuant to subsection a. of section 19 of the “Dam, Lake, Stream, Flood Control, Water Resources, and Wastewater Treatment Project Bond Act of 2003,” (P.L.2003, c.162), in amounts constituting the unappropriated balances therefrom for the purposes of clean water project loans and providing the State match as required or will be required for the award of the capitalization grants made available to the State for clean water projects pursuant to the Federal Clean Water Act;

(7) the Drinking Water State Revolving Fund, in amounts constituting the unappropriated balances therefrom for the purposes of drinking water project loans;

(8) the “Water Supply Fund” established pursuant to section 14 of the “Water Supply Bond Act of 1981” (P.L.1981, c.261), in such sums as may be or become available on or before June 30, 2011 as repayments of drinking water project loans therefrom for the purposes of drinking water project loans and providing the State match as required or will be required for the award of the capitalization grants made available to the State for drinking water projects pursuant to the Federal Safe Drinking Water Act.

The bill authorizes the DEP to transfer from previous appropriations made from the "Water Supply Fund" any unexpended balances and any repayments of loans and interest therefrom in such amounts as needed to the Drinking Water State Revolving Fund for the purposes of drinking water project loans and providing the State match as required or will be required for the award of the capitalization grants made available to the State for drinking water projects pursuant to the Federal Safe Drinking Water Act.

The bill authorizes the DEP to transfer from previous appropriations made from the "1992 Wastewater Treatment Fund" any unexpended balances and any repayments of loans and interest

therefrom in such amounts as needed to the Clean Water State Revolving Fund Accounts for the purposes of clean water project loans and providing the State match as required or will be required for the award of the capitalization grants made available to the State for clean water projects pursuant to the Federal Clean Water Act.

The bill authorizes the DEP to transfer from an appropriation made from the "2003 Water Resources and Wastewater Treatment Fund" pursuant to P.L.2004, c.109 any unexpended balances and any repayments of loans and interest therefrom in such amounts as needed to the Clean Water State Revolving Fund Accounts for the purposes of clean water project loans and providing the State match as required or will be required for the award of the capitalization grants made available to the State for clean water projects pursuant to the Federal Clean Water Act.

The bill authorizes the DEP to transfer from an appropriation made from the "2003 Water Resources and Wastewater Treatment Fund" pursuant to P.L.2007, c.139 any unexpended balances and any repayments of loans and interest therefrom in such amounts as needed to the Clean Water State Revolving Fund Accounts for the purposes of clean water project loans and providing the State match as required or will be required for the award of the capitalization grants made available to the State for clean water projects pursuant to the Federal Clean Water Act.

The bill further appropriates to the DEP moneys from the sums deposited by the Trust into the "Wastewater Treatment Fund," the "1992 Wastewater Treatment Fund," the "Water Supply Fund," the "Stormwater Management and Combined Sewer Overflow Abatement Fund," the “2003 Water Resources and Wastewater Treatment Fund” and the Drinking Water State Revolving Fund, as appropriate, pursuant to paragraph (6) of subsection c. of section 1 of P.L. , c. (pending before the Legislature as Senate Bill No. 2002 of 2010 and Assembly Bill No. 2927 of 2010), for the purposes of clean water project loans and drinking water project loans and providing the State match as required or will be required for the award of the capitalization grants made available to the State for clean water projects pursuant to the Federal Clean Water Act and drinking water projects pursuant to the Federal Safe Drinking Water Act.

The DEP would use the funds appropriated under this bill to make zero interest loans to local governments and privately-owned water companies (project sponsors) for 25% - 75% of eligible project costs for (1) $497,855,000 for 101 new clean water projects included in the "State Fiscal Year 2011 Clean Water Project Priority List," and 12 supplemental zero interest loans totaling $51,030,000 to project sponsors that had previously received a loan; and (2) $262,027,000 for 66 new drinking water projects included in the "State Fiscal Year 2011 Drinking Water Project Priority List," and 2 supplemental loans totaling $10,500,000 to project sponsors that had received an earlier

loan. The supplemental loans constitute the difference between the allowable loan amount required by the project and the loan amount certified by the Commissioner of the Department of Environmental Protection in State FY 2002, 2004, 2007, 2008, 2009, and 2010.

A companion bill, Senate Bill No. 2002 and Assembly Bill No. 2927 of 2010, would authorize the Trust to make market rate loans to local governments and privately-owned water companies (project sponsors) for 25% - 75% of eligible project costs for (1) $497,855,000 for 101 new clean water projects included in the "State Fiscal Year 2010 Clean Water Project Priority List," and 12 supplemental zero interest loans totaling $51,030,000 to project sponsors that had previously received a loan; and (2) $262,027,500 for 66 new drinking water projects included in the "State Fiscal Year 2011 Drinking Water Project Priority List," and 2 supplemental loans totaling $10,500,000 to project sponsors that had received an earlier loan.

FISCAL IMPACT:

Under this bill, in conjunction with Senate Bill No. 2002 and Assembly Bill No. 2927 of 2010, the 2010 New Jersey Environmental Infrastructure Financing Program would finance $821,412,500 in environmental infrastructure projects for State Fiscal Year 2011 subject to the availability of funds.