

ASSEMBLY BUDGET COMMITTEE

STATEMENT TO

ASSEMBLY, No. 4120

STATE OF NEW JERSEY

DATED: JUNE 18, 2018

The Assembly Budget Committee reports favorably Assembly Bill No. 4120.

This bill would authorize municipalities to levy special assessments, and issue bonds, to replace certain lead-contaminated water service lines.

Pursuant to R.S.40:56-1, if a municipality engages in a project that is categorized as a “local improvement,” the municipality may assess the cost of the project on local property owners in the vicinity who benefit from the project. This bill adjusts language in R.S.40:56-1 to ensure that the replacement of certain lead-contaminated home service connections fall within this category, allowing those projects to be assessed as local improvements.

The bill would also amend N.J.S.40A:2-22, a section of the “Local Bond Law,” to permit municipalities and counties to issue 30-year bonds to fund the replacement of lead-contaminated house connections to publicly-owned water systems. Specifically, these bonds would fund replacement of lead-contaminated house connections from the distribution main onto privately-owned real property, and into the privately-owned structure.

The bill also amends the "County and Municipal Water Supply Act," N.J.S.40A:31-1 et seq., and the "municipal and county utilities authorities law," P.L.1957, c.183 (C.40:14B-1 et seq.), to provide that the public entities operating under those laws are not prevented from undertaking projects to replace lead-contaminated service connections, regardless of possible private service connection ownership.

The provisions of this bill only would apply to service line replacement projects that are: (1) undertaken as environmental infrastructure projects, as defined under section 3 of P.L.1985, c.334 (C.58:11B-3); and (2) funded either by loans from the New Jersey Infrastructure Bank, created pursuant to section 4 of P.L.1985, c.334 (C.58:11B-4), or by loans issued through the Department of Environmental Protection.

FISCAL IMPACT:

The OLS estimates that the enactment of the bill may result in an indeterminate potential increase in local expenditures. The bill would authorize certain local government units, including municipalities and

municipal authorities, to issue bonds or levy special assessments in order to support certain lead-contaminated water service line replacements. The provisions of the bill only would apply to water service line replacement projects that are: (1) undertaken as environmental infrastructure projects, and (2) funded by loans from the New Jersey Infrastructure Bank or the Department of Environmental Protection.

By amending current law to allow the replacement of certain publically-owned water systems underneath privately-owned real property, the bill could result in increased local expenditures associated with those replacements. The OLS notes that some of these potential costs could be offset by the proceeds from special assessments levied on the property owners who benefit from such replacements. The OLS is unable to predict the number of water line replacements that would occur as a result of the bill, because the provisions of the bill are permissive in nature. As a result, the OLS cannot quantify the fiscal impact of the bill.