

LEGISLATIVE FISCAL ESTIMATE
SENATE, No. 679
STATE OF NEW JERSEY
218th LEGISLATURE

DATED: OCTOBER 29, 2018

SUMMARY

Synopsis: Increases civil penalties for certain natural gas or hazardous liquid facility safety violations.

Type of Impact: Increased Intermittent State Revenue.

Agencies Affected: Board of Public Utilities.

Office of Legislative Services Estimate

Fiscal Impact	
Intermittent State Revenue Increase	Indeterminate

- The Office of Legislative Services (OLS) finds that this bill will likely cause an intermittent increase in State revenues from doubling the maximum civil penalties the Board of Public Utilities (BPU) may impose for safety violations with respect to natural gas and hazardous liquid underground pipelines and distribution facilities.
- The OLS lacks the informational basis for quantifying the revenue gain, given that the bill does not change the BPU’s substantial discretion in setting penalty amounts. As a result, the authorization of higher penalty amounts will not automatically increase penalty assessments relative to current law.
- The BPU reported previously that the average revenue from fines affected by the bill approximated \$1 million per year, consisting largely of relatively minor fines whose amounts fell well below the current law maxima. In a year in which a major incident occurs, however, the revenue from that larger incident could be an additional \$1 million or more under the bill relative to current law but those incidents are infrequent.

BILL DESCRIPTION

This bill doubles the maximum civil penalty amounts the BPU may impose for safety violations with respect to natural gas and hazardous liquid underground pipelines and distribution facilities. The maximum increases from \$100,000 to \$200,000 for each day a

violation persists, subject to a cap on the total penalty amount for any related series of violations that rises from \$1 million to \$2 million.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS finds that doubling the maximum civil penalties the BPU may impose for certain safety violations will likely cause an intermittent increase in State revenues. The OLS lacks the informational basis for quantifying the revenue gain, given that the bill does not change the BPU's substantial discretion in setting penalty amounts. As a result, the authorization of higher penalty amounts will not automatically increase penalty assessments relative to current law.

The civil violations covered by the bill are relatively rare, and the board is permitted, in its discretion, to set the amount of civil penalties below statutory maxima based on various factors relating to the seriousness of the violations and the good faith of the violator in complying with the law. As a result, it is likely that this bill will only increase penalty amounts in cases of the most serious or negligent violations.

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In addition, it is possible that the greater maximum penalties will cause a greater level of attention to safety practices by owners of concerned underground facilities. That greater level of attention could result in fewer safety violations and, by extension, reduced State penalty collections. It is not clear whether that deterrent effect could be large enough to reduce State revenue relative to existing collections from safety violations.

Section: Authorities, Utilities, Transportation and Communications

*Analyst: Patrick Brennan
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*Approved: Frank W. Haines III
Legislative Budget and Finance Officer*

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).