

# SENATE BUDGET AND APPROPRIATIONS COMMITTEE

## STATEMENT TO

[First Reprint]

## SENATE, No. 1247

with committee amendments

# STATE OF NEW JERSEY

DATED: JUNE 4, 2018

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 1247 (1R), with committee amendments.

As amended, this bill authorizes additional connection fees for certain utilities operated by local governments and establishes certain credits and reductions for these fees. The local government entities covered by the bill are: sewerage authorities under the “sewerage authorities law,” P.L.1946, c.138 (C.40:14A-1 et seq.); municipal authorities under the “municipal and county utilities authorities law,” P.L.1957, c.183 (C.40:14B-1 et seq.); and local units operating either a county or municipal sewerage facility or water supply facility under the “Municipal and County Sewerage Act,” N.J.S.40A:26A-1 et seq., and the “County and Municipal Water Supply Act,” N.J.S.40A:31-1 et seq., respectively.

The bill allows new connection fees to be imposed for an addition, alteration, or change in use to certain connected properties that materially increases the level of use and imposes a greater demand on the utility system, but does not involve a new physical connection of the property to the system. This additional fee is equal to the amount by which the increased use and demand on the utility system exceeds the use and demand that existed prior to the addition, alteration, or change in use. The additional fee does not take the place of fees for any new or additional connections.

The bill also requires credits to be applied to connection fees charged for a reconnection of certain disconnected properties that were previously connected to the utility system. If the reconnection does not require any new physical connection or does not increase the nature or size of the service or the number of services units, or does not expand the use of the utility system, the credit is equal to the amount of the new connection fee. If the reconnection requires any of the foregoing, the credit is equal to the amount of any connection fee previously paid for the property. If no connection fee was ever paid for the property, but all service charges due and owing on the property have been paid for at least 20 years, the credit is equal to the amount of the new connection fee.

However, if no connection fee was ever paid for certain disconnected properties, a connection fee is to be charged in addition to any amount due and owing after application of a credit. The bill provides for this fee to be equal to the lesser of: (1) 20 percent of the service charges that would have been paid based upon the usage for the last full year that the property was connected to the utility system for the period from the date of the disconnection from the utility system to the date of the new connection; or (2) the new connection fee.

Lastly, the bill provides that the existing connection fee reductions for certain types of affordable housing serviced by sewerage authorities and municipal authorities is to be extended to all affordable housing, including affordable housing units in inclusionary projects. The bill also newly establishes the same connection fee reductions for all affordable housing serviced by local units operating a county or municipal sewerage facility or water supply facility.

#### COMMITTEE AMENDMENTS:

The committee amendments make a technical correction, to clarify that the additional fee authorized under the bill does not preclude a local unit operating a county or municipality water supply facility from levying fees for new construction of additional units connected to the utility system. The bill already provides that sewerage authorities, municipal authorities, and local units operating a county or municipal sewerage authority are not so precluded.

#### FISCAL IMPACT:

The Office of Legislative Services estimates this bill will have an indeterminate net fiscal impact on local finances.

Local government entities that operate water and sewer systems are authorized to collect two types of revenues: service charges and connection fees. Service charge revenues are generated by utility system users based on system usage (e.g., the number of gallons of water used at a particular property). A connection fee is intended to cover the cost of connecting a property to the physical system. The amount of a connection is calculated using a statutory formula. The formula used to determine the amount of a connection fee is the same for all local government water and sewer entities affected by the bill.

The bill changes connection fee charges in three ways. First, the bill permits a local government entity to charge an additional connection fee for an addition, alteration, or change in use that materially increases the level of use and imposes a greater demand on a utility system, but does not involve a new physical connection to the system. Under these circumstances, a local government entity will collect additional connection fee revenues.

Second, the bill requires credits to be applied to connection fees charged for the reconnection of certain disconnected properties that

were previously connected to a utility system. This change to the method for calculating connection fees will result in a decrease on local revenues, because the amount of the connection fee will be less than what the user would otherwise pay under current law.

Third, the bill expands the types of affordable housing developments that are charged discounted connection fees, to include inclusionary developments that are not wholly affordable housing. This will also result in a decrease in local revenues because these water and sewerage system users will pay a connection fee that would be less than the amount charged under current law.