

LEGISLATIVE FISCAL ESTIMATE

[Second Reprint]

SENATE, No. 2066

STATE OF NEW JERSEY 218th LEGISLATURE

DATED: FEBRUARY 27, 2019

SUMMARY

- Synopsis:** Requires 30-day grace period prior to accrual of interest on certain late water and sewer bill payments.
- Type of Impact:** Potential revenue decrease for certain local government units.
- Agencies Affected:** Local water and sewerage authorities and certain municipalities.

Office of Legislative Services Estimate

Fiscal Impact	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
Local Revenue	Indeterminate Potential Decrease		

- The Office of Legislative Services (OLS) estimates that the bill would result in an indeterminate potential decrease in revenue for certain local water and sewerage authorities and municipalities (“affected entities”). Decreases in revenue could occur as a result of the required 30-day grace period for overdue water and sewer bills, which would reduce the interest collections of affected entities.
- The bill requires local water and sewerage authorities and municipal water and sewerage utilities, which are not subject to regulation by the Board of Public Utilities, to provide a 30-day grace period prior to the accrual of interest on unpaid water and sewer bills.
- Consequently, affected entities are likely to incur revenue decreases equal to the difference between: (1) the amount of interest that would have accrued on the total balances of overdue water and sewer bills immediately following the payment due date, and (2) the amount of interest that will accrue on the total balances of water and sewer bills that remain unpaid for 30 days following the payment due date.
- The OLS notes that local sewerage and water authorities are currently required to impose interest, at a monthly rate of 1.5 percent, on unpaid water or sewer bills immediately following the due date.

- The OLS also notes that certain municipal water and sewerage utilities are currently required to provide a 30-day grace period for overdue water and sewer bills. These municipalities therefore are not expected to experience revenue decreases as a result of the bill.
- Due to insufficient information, the OLS is unable to estimate the amount of overdue water and sewer bills that are likely to be paid within the 30-day grace period and the interest that would have accrued on those balances. As a result, the OLS cannot quantify the fiscal impact of the bill on affected entities.

BILL DESCRIPTION

The bill establishes a 30-day grace period for overdue water and sewer bills, during which time interest may not accrue on the unpaid balance. The bill further provides that interest may only accrue on the amount of any overdue water or sewer bill that remains unpaid after the 30th day following the established payment due date. The provisions of the bill prohibit certain local authorities and municipal water or sewerage utilities from collecting interest on the amount of any late payments that are made during this grace period.

The bill would affect the following entities: sewerage authorities under the “Sewerage Authorities Law,” P.L.1946, c.138 (C.40:14A-1 et seq.); county, municipal, and regional authorities under the “Municipal and County Utilities Authorities Law,” P.L.1957, c.183 (C.40:14B-1 et seq.); local units that operate sewerage or water utilities. However, the bill would not apply to any local authority or utility that is subject to regulation by the Board of Public Utilities. The provisions of the bill are to take effect on the 60th day following the date of enactment.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS estimates that the enactment of the bill would cause an indeterminate potential decrease in revenue for certain local water and sewerage authorities and municipalities (“affected entities”). Under the bill, local water and sewerage authorities and municipal water and sewerage utilities, which are not subject to regulation by the Board of Public Utilities, are required to provide a 30-day grace period prior to the accrual of interest on unpaid water and sewer bills.

Decreases in revenue could occur as a result of the 30-day grace period established by the bill, which would reduce the interest collections of affected entities. Under current law, local sewerage and water authorities are required to impose interest, at a monthly rate of 1.5 percent, on unpaid water or sewer bills immediately following the due date.

Consequently, affected entities are likely to incur revenue decreases equal to the difference between: (1) the amount of interest that would have accrued on the total balance of overdue water and sewer bills immediately following an established payment due date, and (2) the

amount of interest that will accrue on the balance of water and sewer bills that remains unpaid after the 30th day following an established payment due date.

However, the OLS notes that N.J.S.40A:31-12 and N.J.S.40A:26A-12, respectively, require certain municipal water and sewerage utilities to provide a 30-day grace period for overdue water and sewer bills. Municipalities operating water or sewerage utilities that are subject to, and in compliance with, this requirement are not expected to experience decreases in revenue as a result of the bill.

The OLS also notes that the bill could theoretically increase revenue for any affected entity that currently provides a grace period of greater than 30 days. The OLS could not determine whether any comparable grace period is currently provided in the State; absent the provision of any such extended grace period, the bill is unlikely to result in an increase in local revenue.

Due to insufficient information, the OLS is unable to estimate the amount of overdue water and sewer bills that are likely to be paid within the 30-day grace period and the interest that would have accrued on those balances. As a result, the OLS cannot quantify the fiscal impact of the bill on affected entities.

Section: Local Government

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