

# SENATE ENVIRONMENT AND ENERGY COMMITTEE

## STATEMENT TO

### SENATE, No. 2646

# STATE OF NEW JERSEY

DATED: JUNE 11, 2018

The Senate Environment and Energy Committee favorably reports Senate Bill No. 2646.

This bill appropriates certain federal and State moneys to the Department of Environmental Protection (DEP) for the purpose of implementing the State Fiscal Year 2019 New Jersey Environmental Infrastructure Financing Program (NJEIFP), which is expected to finance approximately \$810.6 million in Storm Sandy and other environmental infrastructure projects for State Fiscal Year 2019.

To the extent funds are available, principal forgiveness loans will be available for combined sewer overflow (CSO) projects with a focus on green technology (e.g., green roofs, rain gardens, porous pavement, and other activities that maintain and restore natural hydrology). For these projects, 50 percent of the fund loan will be forgiven, 25 percent of the loan will be a zero interest rate fund loan, and 25 percent of the loan will be a New Jersey Infrastructure Bank (trust) market rate loan. Principal forgiveness will be available to the highest ranked CSO projects and will be awarded according to the DEP's ranking methodology based on a project's relative water quality benefit in conjunction with project readiness. Approximately \$3 million will be available for principal forgiveness loans for stormwater runoff mitigation environmental infrastructure projects in the Barnegat Bay Watershed to continue addressing the critical water quality issues confronting this waterbody, of which 25 percent will be subject to principal forgiveness in an amount not to exceed \$2 million per project sponsor. Approximately 10 percent of the State's clean water capitalization grant and 20 percent of the State's drinking water capitalization grant will be used as a green project reserve as may be required in the 2018 federal appropriation. Approximately \$30 million is available for loans to eligible redevelopment projects.

To the extent funds are available, a maximum of \$1 million in principal forgiveness loans will be available to finance the development of asset management plans for systems serving populations of up to 10,000 residents of which 100 percent will be subject to principal forgiveness in an amount not to exceed \$100,000 per project sponsor.

A maximum of \$4 million is available for principal forgiveness and other loans to drinking water systems that serve populations of up to 10,000 residents to finance improvements to those systems. The

amount of principal forgiveness would not exceed \$500,000 in the aggregate or 50 percent of the total loan amount per project sponsor. Total loan amounts would not exceed \$1 million per project sponsor. To the extent funds are available, a maximum of \$30 million in principal forgiveness loans is available for drinking water systems serving communities with a median household income less than the median household income for the county in which they are located for lead line replacement in an amount not to exceed \$1 million per project sponsor.

Disaster Relief Emergency Financing Program loans will continue to be available for short-term financing (up to three full fiscal years) for projects to repair or improve the resiliency of environmental infrastructure systems adversely impacted by Storm Sandy. The source of funds for these loans is currently repayments of prior NJEIFP loans and trust operating funds, but private bank financing for these loans may be used as the need arises. Finally, short-term Interim Financing Program (IFP) loans will be available for projects approved to receive long-term financing. IFP loans will be available upon project certification by the DEP and satisfaction of financial eligibility requirements. The loans will finance costs disbursed prior to long-term financing. The source of funds for these loans includes prior capitalization grants, NJEIFP loan repayments, prior State bond acts, and interest earnings thereon.

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 between 25 percent and 75 percent of project costs totaling (1) \$508.78 million for new clean water projects included in the "Storm Sandy and State Fiscal Year 2019 Clean Water Project Eligibility List," and \$5.51 million for clean water projects through supplemental zero interest loans to project sponsors that had previously received a loan, subject to the availability of funds; and (2) \$296.35 million for new drinking water projects included in the "Storm Sandy and State Fiscal Year 2019 Drinking Water Project Eligibility List." The supplemental loans constitute the difference between the allowable loan amount required by the project and the loan amount certified by the Commissioner of Environmental Protection in State Fiscal Year 2019. The bill authorizes the DEP to issue up to 100 percent of the total allowable loan amount (1) for clean water loans to municipalities that do not satisfy the trust credit policy but are subject to State financial supervision and oversight pursuant to the "Local Government Supervision Act (1947)," (2) for clean water and drinking water loans to county or regional sewerage or utility authorities that do not satisfy the trust's credit policy but where the municipal participant via its service agreement with the authority is under State financial supervision and oversight pursuant to the "Local Government Supervision Act (1947)" and the repayment obligation of the authority remains secured by the full faith and credit of the

participating municipality pursuant to its service agreement with the municipality, (3) for clean water project and drinking water project loans to municipalities receiving funding under the United States Department of Housing and Urban Development Community Development Block Grant – Disaster Recovery Program (CDBG-DR), (4) for loans to clean water or drinking water systems serving 10,000 or fewer residents, not to exceed a total of \$100,000 per project sponsor, and (5) for loans to communities in a CSO sewershed sponsoring construction projects that reduce or eliminate excessive infiltration/inflow or extraneous flows.

A companion bill, Senate Bill No. 2647 of 2018, would authorize the trust to make market rate loans to local governments and privately-owned water companies (project sponsors) for between 25 percent and 75 percent of project costs totaling (1) \$508.78 million for 70 new clean water projects included in the "Storm Sandy and State Fiscal Year 2019 Clean Water Project Eligibility List," and \$5.51 million for five clean water projects through supplemental zero interest loans to project sponsors that had previously received a loan, subject to the availability of funds; and (2) \$296.35 million for 44 new drinking water projects included in the "Storm Sandy and State Fiscal Year 2019 Drinking Water Project Eligibility List."

Under this bill, in conjunction with Senate Bill No. 2647 of 2018, the Storm Sandy and State Fiscal Year 2019 New Jersey Environmental Infrastructure Financing Program would finance \$810.6 million in environmental infrastructure projects for State Fiscal Year 2019, subject to the availability of funds.