

# LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

## ASSEMBLY, No. 1145

### STATE OF NEW JERSEY 219th LEGISLATURE

DATED: FEBRUARY 22, 2021

#### SUMMARY

- Synopsis:** Establishes “Electronic Permit Processing Review System.”
- Type of Impact:** Annual increases in State expenditures; Three-year increase in local revenue; Annual impact on local expenditures.
- Agencies Affected:** Department of Community Affairs and municipalities.

#### Office of Legislative Services Estimate

<b>Fiscal Impact</b>	<b><u>Year 1</u></b>	<b><u>Year 2</u></b>	<b><u>Year 3</u></b>
<b>State Cost Increase</b>		Indeterminate	
<b>Local Cost Impact</b>		Indeterminate	
<b>Local Revenue Increase</b>		Indeterminate	

- The Office of Legislative Services (OLS) estimates that the bill will: (1) increase annual State expenditures associated with establishing, implementing, and administering the “Electronic Permit Processing Review System”; (2) impact annual municipal expenditures due to the implementation of the electronic system by local enforcing agencies; and (3) temporarily increase municipal revenues associated with the collection of surcharge fees.
- The Department of Community Affairs (DCA) is expected to incur indeterminate annual expenditure increases associated with the requirements to: (1) establish, implement, and administer the “Electronic Permit Processing Review System,” and (2) provide related training to local enforcing agencies and private inspection agencies.
- Local enforcing agencies would be authorized to fully implement the electronic system, or utilize a different system with the same level of functionality within one year of enactment. Although municipalities may incur indeterminate start-up costs associated with implementing the system, the use of electronic permit processing could result in long-term cost-savings by simplifying the construction permit process. The OLS is unable to quantify the net effect of these two countervailing forces.

- The bill also permits local enforcing agencies to collect surcharge fees during the three-year period following the implementation of the electronic system in order to defray the start-up costs associated with electing to utilize the electronic system implemented by DCA. As a result, the bill would cause an indeterminate short-term increase in municipal revenue.

## **BILL DESCRIPTION**

The bill requires the DCA to establish and implement the “Electronic Permit Processing Review System,” which would serve as a web-based system for the electronic submission of applications for construction permits, plans, and specifications pursuant to the State Uniform Construction Code Act. The electronic system would also provide a platform for the electronic review and approval of applications, the scheduling of inspections, and the exchange of information during the review process.

The bill requires the DCA to fully implement the electronic system within one year of the enactment of the bill. Under the bill, the DCA would also be required to provide training opportunities for the employees of local enforcing agencies and private inspection agencies concerning the use of the electronic system. The bill authorizes local enforcing agencies to use the “Electronic Permit Processing Review System,” developed by the DCA, or elect to utilize a different system that provides an equivalent level of functionality as the system implemented by the DCA. A municipality would be required, as part of the bid specification process, to ensure that a private code enforcing agency participates in whichever electronic system the municipality has elected to use.

Additionally, the bill permits local enforcing agencies to collect surcharge fees, subject to standards established by the DCA, in order to defray the start-up costs associated with developing and administering the electronic system by local enforcing agencies that have elected to utilize the electronic system implemented by the DCA. However, local enforcing agencies would only be permitted to collect surcharge fees during the three-year period following the implementation of the electronic system.

The bill requires the DCA to promulgate rules and regulations to effectuate the implementation of the electronic system, including prescribing the form and format of applications submitted through the system. In addition, the bill allows the DCA to establish different submission requirements, including non-electronic submissions, for large, complicated, or otherwise unusual construction projects, so long as the system is designed to accept approximately 80 percent of application submissions electronically.

## **FISCAL ANALYSIS**

### ***EXECUTIVE BRANCH***

None received.

### ***OFFICE OF LEGISLATIVE SERVICES***

The OLS estimates that the bill will result in: (1) an indeterminate annual increase in State expenditures associated with establishing, implementing and administering the “Electronic Permit Processing Review System,” and providing related training; (2) an indeterminate annual impact

on municipal expenditures due to the implementation of the electronic system by local enforcing agencies; and (3) a short-term increase in municipal revenues associated with the collection of surcharge fees during the three-year period following implementation of the electronic system.

#### State Expenditures

The DCA is expected to incur indeterminate start-up costs associated with developing the electronic system required by the bill. However, due to the lack of information concerning the technical specifications of the electronic system, the OLS cannot quantify the anticipated increase in expenditures. Additionally, the design complexity of the electronic system may influence whether the DCA outsources development to a contracted service provider or performs the work in-house. The two approaches would likely entail different costs, and it is unclear which approach the DCA would implement.

The DCA is also expected to incur indeterminate annual expenditure increases due to the provision of training on the use of the electronic system. However, absent any information concerning the contents of such training, the OLS is unable to estimate the anticipated cost of this requirement.

#### Municipal Expenditures

Municipalities may incur indeterminate start-up costs associated with implementing the electronic system or a system with the same level of functionality. However, the use of electronic permit processing could result in long-term cost-savings by simplifying the construction permit process. Absent information concerning the design and implementation of the electronic system, or a system with the same level of functionality, the OLS is unable to estimate the net impact of the electronic system on municipal expenditures.

#### Municipal Revenues

The bill is also expected to result in an indeterminate short-term increase in municipal surcharge fee collections during the three-year period following the implementation of the electronic system. These increases in revenue are intended in the bill to offset start-up costs for municipalities incurred as a result of implementing the electronic system developed by the DCA. However, absent information concerning the standards that will be established by the DCA with respect to the surcharge fees, the OLS is unable to quantify the anticipated increases in municipal revenue.

Assuming that the current paper-based construction permit process deters certain persons from completing construction projects in accordance with the required permit process, the OLS also notes that by simplifying the permit process, the implementation of electronic permit processing could indirectly increase demand for construction permits throughout the State, and thereby increase the related expenditures and revenues of the DCA and local enforcing agencies.

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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.).