ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 2499

STATE OF NEW JERSEY

DATED: JUNE 26, 2020

The Assembly Appropriations Committee reports favorably Senate Bill No. 2499.

This bill would appropriate certain federal and State moneys to the Department of Environmental Protection (DEP) for the purpose of implementing the State Fiscal Year 2021 New Jersey Environmental Infrastructure Financing Program (NJEIFP), which is expected to finance approximately $1.168 billion in Storm Sandy and other environmental infrastructure projects for State Fiscal Year 2021.

Under the bill, approximately $10 million will be available for principal forgiveness loans of up to $2 million per borrower for water quality restoration projects. 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. For project costs greater than $4 million up to $10 million, 75 percent of the loan will be a zero-interest rate fund loan and 25 percent of the loan will be a trust market rate loan. For project costs greater than $10 million, 50 percent of the loan would be a zero interest rate fund loan and 50 percent would be a trust market rate loan. In addition, a maximum of $15 million in principal forgiveness loans up to $4 million per borrower will be allocated to communities sponsoring construction projects that reduce or eliminate discharges from combined sewer overflow (CSO) outfalls. For these CSO 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 trust market rate loan. For project costs greater than $4 million up to $10 million, 75 percent of the loan will be a zero-interest rate fund loan and 25 percent of the loan will be a trust market rate loan. For project costs greater than $10 million, 50 percent of the loan is a zero interest rate fund loan and 50 percent of the loan is a 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 each project's relative water quality benefit and project readiness.

To the extent funds are available, a maximum of $500,000 in principal forgiveness loans will be available to finance the development of asset management plans for systems serving populations 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.

Approximately $4 million in principal forgiveness loans will be available to drinking water systems for improvements to water supply systems serving populations of up to 10,000 people, in an amount not to exceed $500,000, and may not exceed 50 percent of the total loan amount per project sponsor in an amount not to exceed $1 million per project sponsor. Loans for systems serving 500 or fewer residents would be given highest priority. To the extent funds are available, a maximum of $10 million of principal forgiveness loans will be available for drinking water systems serving communities with a population of up to 1,000 residents for corrosion control treatment and lead service line replacement. The amount of a principal forgiveness loan would not exceed 90 percent of the total fund loan amount of $1 million per project sponsor for systems. Approximately $103 million of principal forgiveness loans will be issued for drinking water systems serving communities with a weighted median household income less than the median household income for the State for lead service line replacement. The amount of principal forgiveness would not exceed 50 percent of the total fund loan amount of: $2 million per water system for systems with less than 1,000 known lead service lines, $10 million per system for systems with between 1,001 and 5,000 known lead service lines, and $40 million per system for systems with greater than 5,000 known lead service lines.

Disaster Relief Emergency Financing Program loans will continue to be available for short-term financing for projects to repair or improve the resiliency of environmental infrastructure systems adversely impacted by Storm Sandy. The source of funds for such loans is currently repayments of prior NJEIFP loans and trust operating funds, but private bank financing for such 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 such loans include 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 zero percent and 100 percent of project costs totaling: (1) $777.35 million for new clean water projects included in the "Storm Sandy and State Fiscal Year 2021 Clean Water Project Eligibility List," and $6.3 million for five clean water projects that had previously received a loan and require supplemental loans, subject to the availability of funds; and (2) $357.14 million for new drinking water projects included in the "State Fiscal Year 2021 Drinking Water Project Eligibility List," and $27.2

million for drinking water projects that require supplemental loans. The supplemental loan constitutes the difference between the allowable loan amount required by the project and the loan amount certified by the Commissioner of Environmental Protection in the State Fiscal Year in which the project was originally certified and funded for any increased allowable costs.

The bill authorizes the DEP to issue loans 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)," P.L.1947, c.151 (C.52:27BB-1 et seq.); (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)," P.L.1947, c.151 (C.52:27BB-1 et seq.) 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; and (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).

A companion bill, Senate Bill No. 2498 of 2020, would authorize the trust to make market rate loans to project sponsors for between zero percent and 100 percent of project costs for the clean water and drinking water projects mentioned above. Under this bill, together with Senate Bill No. 2498, the NJEIFP would finance $1.168 billion in environmental infrastructure projects for State Fiscal Year 2021, subject to the availability of funds. Funding sources for the loans include federal capitalization grants, State bond issue proceeds, State match, various prior legislative appropriations, loan repayments, interest earnings, and market rate loans made by the trust.

The bill also authorizes the DEP to make clean water project loans to four municipalities in the Pinelands area that are receiving funding under the "Pinelands Infrastructure Trust Fund" established pursuant to the "Pinelands Infrastructure Trust Bond Act of 1985," P.L.1985, c.302. The DEP allowable loan amount for such projects may be up to 100 percent of the total loan amount specified in the bill.

Finally, the bill would appropriate to the trust, from repayments of loans, interest payments, certain federal funds, and any earnings received from the investment of those funds, such amounts as the chairperson or secretary of the trust certifies are necessary for deposit into one or more reserve funds established by the trust.

As reported by the committee, Senate Bill No. 2499 is identical to Assembly Bill No. 4299, which also was reported by the committee on this date.

FISCAL IMPACT:

The Office of Legislative Services (OLS) notes that this bill appropriates federal and State moneys to finance $1.167 billion to finance $783.65 million in Storm Sandy and other environmental infrastructure projects; $357.14 million in new drinking water projects; and $27.2 million for drinking water projects that require supplemental loans.