

LEGISLATIVE FISCAL ESTIMATE TO
ASSEMBLY COMMITTEE SUBSTITUTE FOR
ASSEMBLY, No. 186

STATE OF NEW JERSEY

DATED: APRIL 2, 1997

Assembly Committee Substitute for Assembly Bill No. 186 of 1996 provides assistance to dry cleaning businesses for addressing problems associated with perchloroethylene, a hazardous substance used in the dry cleaning industry as a cleaning agent. It establishes the Dry Cleaner Site Remediation Fund for remediation of perchloroethylene-contaminated sites, a loan program for the upgrading of dry cleaning machinery, certification and inspection standards for drycleaning equipment, training programs, and a 7-year sales and use tax exemption on the equipment purchased for these upgrades.

The Dry Cleaner Site Remediation Fund, to be administered by the Department of Environmental Protection, would finance and be liable for the remediation of any perchloroethylene-contaminated site owned by a person who participates in the remediation program. The site owner would have to register with the department and prove that the site was previously owned by an in-State distributor, dry cleaning facility or dry cleaning machinery manufacturing facility.

To fund the remediation of eligible sites and other regulatory activities proposed herein, the committee substitute creates a registration program for in-State and out-of-State distributors of perchloroethylene, dry cleaning facilities, dry cleaning machinery manufacturers, drop stores, route operators and owners of contaminated property, with annual registration and renewal fees specified for each registrant category. The committee substitute also levies a tax of \$10 per gallon on perchloroethylene, to be paid by in-State and out-of-State distributors, and a fee to cover random inspections of drycleaning facilities. These monies, plus any fines for violation of registration requirements, would be deposited in the Dry Cleaner Site Remediation Fund. The department would be allowed to use up to 10 percent of annual collections for administrative and certain non-remedial purposes.

The committee substitute directs the New Jersey Economic Development Authority (EDA) to provide financing to the owners of dry cleaning businesses for the purchase and upgrading of Generation 4 or subsequent generation equipment through its existing direct lending and loan programs. The EDA is also directed to provide 50 percent guarantees of these loans.

Finally, the committee substitute provides a tax exemption from the State sales tax on any Generation 4 equipment or upgrades of

equipment dry cleaning businesses purchase to comply with the requirements of the bill. The tax exemption would be in effect only for seven years after the effective date of the law.

The Office of Legislative Services cannot estimate the level of revenues that would be generated annually from the fees and taxes created under the bill because reliable information on the number of registrants, both in-State and out-of-State, cannot be ascertained at this time. It also cannot estimate the loss of State sales tax revenues affected by the exemption of new or upgraded equipment from this tax (the cost of Generation 4 equipment ranges from \$45,000 to \$75,000). However, several assumptions regarding the potential costs to the State of managing this program can be offered. First, the DEP would need start-up funding to implement this program because it would not have access to its set-aside from the Remediation Fund until program rules were promulgated, notification forms sent out, registration forms processed, and fees and taxes collected. These costs will depend in part on the cooperation and assistance of the major drycleaners associations who support this bill.

Second, any costs incurred by the Division of Taxation in collecting taxes under the bill would probably be reimbursed from the DEP's administrative set-aside. Third, any EDA loans to drycleaners pursuant to the bill, as well as potential losses from covering 50 percent of any unpaid balances of such loans, may limit loan capability to other EDA-sponsored programs. Last, the ability of the DEP to be liable for all the remediation costs of an eligible contaminated site would be limited by the available balances in the Remediation Fund.

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.