

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY COMMITTEE SUBSTITUTE FOR **ASSEMBLY, No. 2649**

STATE OF NEW JERSEY

DATED: JUNE 9, 1997

The Assembly Appropriations Committee reports favorably Assembly Bill No. 2649 ACS.

Assembly Bill No. 2649 Acs creates a loan and grant program to fund the upgrade and closure of underground storage tanks (USTs) and any necessary remediation funded by corporation business tax revenues dedicated by the New Jersey Constitution for those purposes.

The Petroleum Underground Storage Tank Remediation, Upgrade, and Closure Fund will be used by the Economic Development Authority (EDA) for loans and grants to eligible owners and operators to upgrade or close underground storage tanks or to remediate tank discharges. The EDA may use interest on fund monies for administrative costs. Tank owners and operators must have 10 or fewer tanks, have a net worth of less than \$2 million, and be unable to obtain a commercial loan to be eligible. Homeowners will be eligible for loans and grants to clean up discharges from underground storage tanks that store heating oil, based on homeowner's ability to repay. Public entities will also be eligible for financial assistance. Loans or grants for upgrades will be available for regulated tanks only.

Interest free loans will be available to governmental entities and loans at rates between 2% and prime, depending on the recipient's ability to repay, will be available to private parties. Loans will be available to an eligible commercial owner or operator who can demonstrate the inability to obtain a commercial loan, but can still demonstrate the ability to repay a loan from the fund. Loans will be for a 10 year term with a \$1 million cap per facility.

The bill makes hardship grants available to persons with a net worth no greater than \$100,000 and an income of no more than \$100,000. No applicant may receive a grant in excess of \$250,000. The total amount in grants that may be awarded may not exceed 10% of the total assistance awarded in any one year. Hardship is determined by a finding that some eligible project costs could not be repaid if made in the form of a loan; any part of the financial assistance that a person can repay will be given as a loan with the remainder given as a grant. A grant recipient must stay in business for 15 years or a portion of the grant must be repaid. The portion that must be

repaid will decrease each year beginning in the tenth year after the grant is awarded. Beginning in the tenth year and each year thereafter, twenty percent of the amount of the grant is forgiven so that by the fifteenth year the entire amount of the grant is forgiven.

The bill requires that grants used for upgrades be converted into loans if the property's use changes. If a grant is converted to a loan, the terms of the loan will be the same as other loans issued under the bill.

The bill gives funding priority to 1) environmental need; 2) upgrade and remediation of federally regulated tanks; 3) closure and remediation of federally regulated tanks; 3) upgrade and remediation of State regulated tanks; 4) remediations of unregulated tanks; and 5) closure of State regulated tanks.

The bill sets aside ten percent of the amount annually appropriated to the fund for remediations for owners or operators of residential heating oil tanks. Applicants for this financial assistance would be eligible notwithstanding their ability to qualify for a commercial loan. Financial assistance may not be awarded to clean up to residential standards if a site is not zoned for residential use. If a residential UST fits the environmental risk priority category, moneys over the 10 % set aside for residential USTs may be awarded if it meets the other priority category's criteria. If the EDA does not receive sufficient applications for the 10% set aside for residential USTs, it may award that money in that year to other applicants.

If contamination is discovered at a regulated tank when only funding for upgrade or closure was requested, then the applicant may amend the application to request remediation funding.

The deadline for completed applications and payment of application fees for regulated tanks is March 1, 1999. The deadline for upgrades is December 22, 1998.

The bill prevents enforcement actions from being taken for failure to upgrade and remediate if a person applies for financial assistance and is waiting for it to be provided. However, an enforcement action may be taken if there is a serious threat to public health. During the waiting period, the applicant must maintain an acceptable method of release detection. If an application for financial assistance is denied, the authority to take enforcement action is restored. Also, enforcement action may be taken even when an application is pending in the case of a knowing discharge that may result in a serious threat to the environment or public health.

The bill requires the owner of an upgraded tank to obtain evidence of financial responsibility, requires owners of tanks that do not have such evidence to pay a surcharge, and provides that the New Jersey Spill Compensation Fund will not serve as such evidence once a tank has been upgraded.

The bill repeals section 17 and 18 of P.L.1986, c.102 (C.58:10A-36 and C.58:10A-37). These sections established the State Underground Storage Tank Improvement Fund and provided for its

administration. The fund was established to provide loans to owners of facilities to replace or repair one or more underground storage tanks and to install monitoring systems. The repayment of any outstanding loans made from this existing fund will be made to the new fund created by this bill.

As reported by this committee, Assembly Bill No. 2649 ACS is identical to Senate Bill No.1756 (2R) as amended and reported by this committee.

FISCAL IMPACT:

The bill appropriates \$9.9 million to the Department of Environmental Protection from Constitutionally dedicated tax revenues for deposit to the newly created Petroleum Underground Storage Tank Remediation, Upgrade, and Closure Fund.

The New Jersey Constitution, as amended by the voters in November 1996, dedicates 4 %of the revenues annually generated by the Corporation Business Tax for environmental purposes and requires that a minimum of one-third of that amount be appropriated for funding, including the provision of loans or grants, for the upgrade, replacement, or closure of underground storage tanks that store or were used to store hazardous substances, and for the costs of remediating any discharge therefrom

The bill also appropriates \$50,000 to the EDA from the General Fund for the cost of adopting rules and regulations needed to administer the fund. The EDA is required to repay this \$50,000 appropriation when sufficient monies are available in the fund.