

# LEGISLATIVE FISCAL ESTIMATE TO

[First Reprint]  
**ASSEMBLY, No. 2811**

## **STATE OF NEW JERSEY**

DATED: JULY 25, 1997

Assembly Bill No. 2811 (1R) of 1997 establishes a five-year moratorium on the repayment of zero-interest State loans made to public authorities and counties for the development of solid waste facilities. These loans were financed from the Resource Recovery and Solid Waste Disposal Facility Fund, as established by the "Resource Recovery and Solid Waste Disposal Facility Bond Act of 1985" (P.L.1985, c.330). The bill's objective is to temporarily ease the financial burden on these local governments during the transition from a State-run solid waste management system to a market-based system, as dictated by recent federal court rulings.

Under the bill, the moratorium would take effect upon the enactment of Assembly Bill No. 50 of 1996, the "Solid Waste Management and Environmental Investment Cost Recovery Act." This companion measure thoroughly revises New Jersey's solid waste collection and disposal statutes and provides a statutory mechanism for the recovery of the environmental investment costs incurred by counties and public authorities in implementing State-mandated district solid waste management plans.

Although the Department of Environmental Protection (DEP) did not supply a formal response to a request for a fiscal note on the bill, it did provide the Office of Legislative Services (OLS) with substantive data on the financial status of the Resource Recovery and Solid Waste Disposal Facility Fund and on the outstanding loans that would be subject to the proposed moratorium. According to this data, the annual amount of zero-interest loan repayments to the Fund will total \$5,147,208 beginning in FY 1998. Hence, the five-year total of loan repayments that would not be collected under the moratorium, from FY 1998 through FY 2002, would be \$25,936,042. The Fund retains all loan repayments in order to provide capital for future loans.

Although the loan repayments do not include interest costs, the Fund does accrue interest on loan repayment balances through the State's Cash Management Fund (CMF). The amount of CMF interest that would be earned during the years of the moratorium cannot be estimated due to fluctuating interest rates and other market investment factors. However, the DEP has indicated that the amount of CMF interest earned on loan repayments during FY 1996 totaled \$250,000; cumulative interest earned on repayment balances from the loan program's inception in 1986 through 1996 has totaled about

\$5,900,000. Thus, the Fund, which retains CMF interest earnings to finance future loan awards, would also lose future earnings from this funding source over the course of the moratorium.

The OLS concurs with the DEP's estimates and further concludes that the ability of the Fund to provide new zero-interest loans for solid waste facility development during the years of the moratorium will be significantly limited due to the deferment of over \$25,000,000 in loan repayments. This conclusion is based on the fact that the Fund, which was originally capitalized by \$85,000,000 from the aforementioned bond act, \$49,528,450 from the 1980 Natural Resources Bond Act and \$33,000,000 from the General Fund, has no unobligated funds left and is therefore almost entirely dependent on loan repayments and interest earnings to finance new loans. Although the Fund, according to the DEP, has a current cash balance of approximately \$17,000,000, along with unsold bonds totaling about \$24,500,000, these funds are obligated to finance loans already approved but not yet needed by the applicants due to project delays or other factors.

The OLS also estimates that the bill will have no fiscal impact on the State Budget. The level of debt service payments appropriated annually from the General Fund to cover the interest and redemption costs of the bonds already sold to finance loans is estimated at \$4,995,000 in FY 1998. This and future debt service amounts should not be affected by the moratorium because all loan repayment monies are retained by the Fund and thus do not affect the General Fund or the obligation of the State to pay the debt on bonds heretofore issued.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67.