FISCAL NOTE TO

[First Reprint]
SENATE, No. 294

STATE OF NEW JERSEY

DATED: May 24, 1996

Senate Bill No. 294 (1R) of 1996 provides for the remediation and redevelopment of municipal solid waste landfill sites under the terms and conditions of a redevelopment agreement negotiated by a developer and the State.

The bill provides that under a redevelopment agreement, an eligible developer who closes and remediates a municipal solid waste landfill would be eligible for reimbursement of 75 percent of its actual and reasonable closure and remediation cost, from payments derived from one half of the sales tax due and collected on sales generated from any business located on the site.

The redevelopment agreement negotiated between the developer and the Commissioner of the Department of Commerce and Economic Development, in consultation with the State Treasurer, would require the developer to undertake the environmentally sound and proper closure and remediation of the municipal solid waste landfill in return for the developer's eligibility for the 75 percent reimbursement of costs. After project completion, the developer would apply to the Director of the Division of Taxation for review and certification that a place of business is located in the area subject to the redevelopment agreement for making retail sales subject to the sales and use tax and that the developer has entered into, and is in compliance with, a memorandum of agreement with the Commissioner of Environmental Protection for the sound and proper closure and remediation of the municipal solid waste landfill. The reimbursement would continue until the developer recovered 75 percent of the actual and reasonable costs of closure and remediation.

Neither the Department of Environmental Protection nor the Division of Taxation in the Department of the Treasury has responded to the fiscal note request. The Department of Commerce and Economic Development has indicated that the overall revenue impacts are unpredictable because the number of potential participants in the program is unknown. Commerce has estimated that one full time Economic Development Representative position will be required to administer the provisions of the bill, at an annual initial estimated cost of $65,551.

The Office of Legislative Services (OLS) concurs that insufficient data are available for estimating the bill's revenue impact. Both the number of participants and their estimated closure and remediation

costs are necessary to establish the costs that, over time, would be reimbursed. Annual rates of revenue impact would depend on both the nature of the sales tax-collecting businesses on a redevelopment site, which would affect the gross receipts subject to sales and use taxation, and the impact on taxable gross receipts would depend on whether the redevelopment site were located in a regular sales tax rate or reduced rate area (such as Salem County, an urban enterprise zone, or Atlantic City).

Based on prior published information from the Department of Environmental Protection (DEP), there are 314 municipal landfill sites in all 21 counties that are potentially eligible for the redevelopment agreement program contained in S-294 (1R). The amount of total acreage is unknown; however, DEP estimated in 1990 that initial capital costs of closing a 20 acre municipal landfill site could range between $1.3 million and $9.2 million depending on the degree of remediation and stabilization required. If 20 of the eligible sites were included in the program through redevelopment agreements, closure costs could range from $26 million to $184 million, using the DEP guidelines. These costs would not be incurred at one time in all likelihood. Using these rough assumptions, developers who financed such closures would be eligible for reimbursement of 75 percent of the closure and remediation costs from the stream of sales tax revenues generated by the retail business constructed on the site. This would represent between $19.5 million and $138 million in potential sales tax revenue to the State that would be instead paid over to the site developer. Again, this would take place over a period of time rather than in any given year.

On the other hand, new or expanded retail establishments can be expected to generate not only long-term sales tax revenues, but also employment opportunities and substantial offsetting tax and economic development revenues. In addition, the business would pay local property taxes (either in full or under an partial abatement agreement) on property that is currently not on the tax rolls. The potential exists for substantial net tax and employment benefits to State and local governments, under a given set of assumptions. Those assumptions would rest on a premise that the retail business would not otherwise be opening or expanding elsewhere in the State, and that it would not opt to develop a landfill site in the absence of the subsidy provided by the bill. It is not possible to predict these outcomes, for the reasons cited above.

OLS notes further that, given that the number of participants is unknown, the personnel requirements of administering the provisions of the bill would also seem uncertain.

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