

# SENATE ENVIRONMENT COMMITTEE

## STATEMENT TO

### SENATE COMMITTEE SUBSTITUTE FOR **SENATE, No. 422**

# **STATE OF NEW JERSEY**

DATED: DECEMBER 16, 1996

The Senate Environment Committee reports favorably a committee substitute for Senate Bill No. 422.

The committee substitute amends and supplements the "Water Supply Bond Act of 1981," P.L.1981, c.261, to allow the Department of Environmental Protection (DEP) and the New Jersey Environmental Infrastructure Trust (Trust) to utilize bond moneys made available therefrom for loans to local governments for the development of water supply facilities to comply with the federal "Safe Drinking Water Act Amendments of 1996," Pub.L.104-182 and the "Safe Drinking Water Act," P.L.1977, c.224 (C.58:12A-1 et seq.). To qualify for financing, a project must be identified in the water supply project priority list adopted by the Commissioner of Environmental Protection pursuant to section 7 of this bill.

The 1981 bond act was approved in November 1981 (and amended in November 1983 pursuant to P.L.1983, c.355) by the voters of New Jersey. The proposed revisions to the "Water Supply Bond Act of 1981" embodied in this bill must also be approved by the electorate.

The committee substitute authorizes the use of bond act moneys to capitalize two separate nonlapsing revolving funds: the "Water Supply Fund" and the "Water Supply Trust Fund."

The moneys in the "Water Supply Fund" would be used by the DEP for the purposes of:

- (1) covering the department's costs for planning and feasibility studies for ground and surface water programs, water delivery and treatment programs, the analysis and implementation of water conservation practices, or for updating the New Jersey Statewide Water Supply Plan;
- (2) planning, designing, and constructing State water supply facilities;
- (3) providing loans to local governments to plan, design, and construct water supply facilities, as identified by the DEP; and
- (4) the rehabilitation, repair or consolidation of antiquated, damaged or inadequately operating water supply facilities.

Projects must be identified pursuant to the water supply project priority list adopted by the commissioner. Of these projects, only the

provision of loans to local government units by the trust is a new power being authorized by this bill.

Payments of principal and interest on loans returned to the "Water Supply Fund" may be made available to the Trust, with the concurrence of the department, for temporary use by the Trust in establishing a reserve account for loans made by the Trust, and a guarantee account to secure debt issued by local governments in connection with the financing of a water supply project. A maximum of \$50,000,000 may be made available to the Trust for these purposes.

Any moneys made available to the Trust would be deposited in a separate nonlapsing revolving fund known as the "Water Supply Trust Fund." The Trust would have to repay to the "Water Supply Fund" any moneys made available for temporary use.

The committee substitute would also: (1) authorize the Trust to collect annual fees from local governments in connection with loans or other services provided by the Trust; (2) delegate to the department responsibility for administering the "Water Supply Fund;" (3) authorize the Trust to use income earned on moneys deposited in the "Water Supply Trust Fund" funds to cover unreimbursed administrative expenses; (4) authorize temporary cross-use by the department and the Trust of moneys in the two funds; and (5) require the department and the Trust to provide annual accounts of moneys expended from their respective funds.

The committee substitute also provides that if the "New Jersey Environmental Infrastructure Trust Act" (a companion measure, Assembly Bill No. 1511 of 1996) has not been enacted into law by the date of the approval of this act by the voters, the amendments made to the 1981 bond act pertaining to the Trust would remain inoperative.

The committee substitute makes a number of substantive changes to the bill. The committee substitute: (1) prevents the Legislature from appropriating any of the bond monies or loan repayments for indirect administrative costs or for fringe benefit costs of State; (2) caps the direct administrative costs of the State at existing fiscal year 1997 levels, less any administrative costs for indirect or fringe benefit costs, plus an annual three percent escalator; (3) specifically provides that the bond monies and loan repayments may be used to meet the newly adopted requirements of the federal "Safe Drinking Water Act Amendments of 1996"; and (4) eliminates the requirement that projects be listed on the New Jersey Statewide Water Supply Plan. This last change is made because many of the drinking water projects will not appear on that list.

The committee substitute is identical to Assembly Bill No. 156 (3R) with committee amendments.