

SENATE ENVIRONMENT COMMITTEE

STATEMENT TO

SENATE COMMITTEE SUBSTITUTE FOR **SENATE, No. 468**

STATE OF NEW JERSEY

DATED: DECEMBER 16, 1996

The Senate Environment Committee reports favorably a Senate Committee Substitute for Senate Bill No. 468.

The committee substitute permits the New Jersey Wastewater Treatment Trust, a State financing authority currently empowered to maximize the use of available State funds for financing the costs of wastewater treatment system projects, to provide financial assistance to local governments for other types of environmental infrastructure projects as well, including stormwater management or combined sewer overflow abatement projects and water supply projects. The bill also permits the Trust to make loans to private sector firms (i.e. investor-owned water companies and so-called small water companies) for water supply projects. Some of the money for water supply projects would be used to provide the required State matching funds to federal moneys provided to help water systems meet national primary drinking water regulations or otherwise further the health protection objectives of the federal "Safe Drinking Water Act," 42 U.S.C. §300f et seq.

The New Jersey Wastewater Treatment Trust, established pursuant to P.L.1985, c.334 (C.58:11B-1 et seq.), may currently issue bonds, notes and other debt obligations to provide low-rate loans to local government units for approximately 50% of the allowable costs of eligible wastewater treatment system projects. The eligible projects are those included in the annual "State Fiscal Year Project Priority List" submitted to the Legislature by the Trust in January of each year.

Under the New Jersey Wastewater Treatment Financing Program, the Department of Environmental Protection (DEP) has utilized State general obligation bond moneys from the "Wastewater Treatment Bond Act of 1985," (P.L.1985, c.329), federal moneys received under the federal "Water Quality Act of 1987," and from fees and penalties from the federal "Marine Protection, Research and Sanctuaries Act of 1972," and bond moneys made available under the "Green Acres, Clean Water, Farmland and Historic Preservation Bond Act of 1992," P.L.1992, c.88, which allocated \$50 million for the financing of wastewater treatment system projects, to provide zero interest loans to local governments for up to 50% of eligible project costs for

wastewater treatment system projects. The Trust issues revenue bonds to provide moneys for low interest loans to local governments for the remaining balance of eligible project costs for these projects.

Currently, a local government seeking financial assistance for a wastewater treatment system project would apply for a loan from each State agency. In most instances, this combined State financing approach would be considerably less costly to the average local government than bonding for the project on its own. Typically, participants in the New Jersey Wastewater Treatment Financing Program have realized an average savings of 30% on the financing of the total eligible cost of the project over what it would cost a local government to secure its own financing.

This committee substitute renames the Trust as the "New Jersey Environmental Infrastructure Trust," and extends the combined State financing approach discussed above to additional environmental infrastructure projects, including stormwater management or combined sewer overflow abatement projects and water supply projects.

The committee substitute funds these projects from two existing State general obligation bond acts: the "Water Supply Bond Act of 1981" (P.L.1981, c.261) and the "Stormwater Management and Combined Sewer Overflow Abatement Bond Act of 1989" (P.L.1989, c.181). These bond acts would be amended by separate bills (Assembly Bill Nos. 156 and 1512 respectively) to authorize the Trust and the DEP to jointly administer the bond moneys in order to maximize the pool of State moneys available for environmental infrastructure projects.

The committee substitute also makes a number of technical changes to the provisions of P.L.1985, c.334 in order to facilitate the transition from a single purpose wastewater treatment financing program to a greatly expanded environmental infrastructure project financing program.

The committee substitute increases the cap of the trust's debt ceiling from \$600,000,000 to \$1 billion. The committee substitute extends the combined State financing approach currently used by the New Jersey Wastewater Treatment Trust to maximize the use of available State funds for financing the costs of wastewater treatment system projects to provide financial assistance to local governments for other types of environmental infrastructure projects as well.

The committee substitute is identical to Assembly Bill No. 1511 (1R) as amended by the committee.