

LEGISLATIVE FISCAL ESTIMATE
[First Reprint]
SENATE, No. 1147
STATE OF NEW JERSEY
219th LEGISLATURE

DATED: OCTOBER 22, 2020

SUMMARY

Synopsis: Requires lead paint inspection prior to home purchases and tenant turnover; establishes educational program on lead hazards.

Type of Impact: Annual State expenditure and revenue increases.
Annual municipal expenditure and revenue increases.

Agencies Affected: Department of Community Affairs, Department of Health, and municipalities.

Office of Legislative Services Estimate

Fiscal Impact	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
State Cost Increase		Indeterminate	
State Revenue Increase		Indeterminate	
Municipal Cost Increase		Indeterminate	
Municipal Revenue Increase		Indeterminate	

- The Office of Legislative Services (OLS) estimates that the bill would result in increases in municipal expenditures and revenues due to the inspection of residential rental properties, including seasonal rental units in some circumstances, for lead-based paint hazards and the collection of inspection fees.
- The bill is expected to increase the expenditures and revenues of the Department of Community Affairs (DCA) associated with the establishment of an educational program and training seminar concerning lead-based paint hazards and the collection of seminar fees. The bill permits the DCA to charge a maximum fee of \$50 per seminar participant.
- The bill is also expected to increase State revenues associated with the deposit of fee receipts into the Lead Hazard Control Assistance Fund. Under the bill, each municipality is required to assess an additional fee of \$20 per unit inspected for deposit into this State fund unless the dwelling has already been charged a comparable fee by the DCA.
- The OLS also expects the bill to increase in State expenditures and revenues associated with the provision of relocation assistance to certain tenants after the discovery of lead hazards in

residential rental properties. As set forth in current law, the OLS assumes that affected property owners would be required to reimburse the State for these costs.

BILL DESCRIPTION

The bill requires any residential property constructed before 1978 to be inspected for lead-based paint hazards before the sale of the property. These inspections would be conducted by a lead evaluation contractor who is certified by the DCA.

The bill also requires certain residential rental properties to be inspected for lead-based paint hazards upon tenant turnover. Rental properties that have been certified to be free of lead-based paint or lead-safe, properties that were constructed during or after 1978, and properties registered with the DCA as a multiple dwelling for at least 10 years would be exempt from this inspection requirement. However, the bill eliminates the exemption for DCA-registered properties from the cyclical inspection requirement and also eliminates the exemption for seasonal rental units from various inspection and registration requirements. Additionally, the lead-safe certification of a dwelling provided to the property owner by the lead evaluation contractor or permanent local agency would be valid for two years.

Under the bill, municipalities are required to impose a fee sufficient to cover the costs of the inspection. A municipality must also permit the dwelling owner or landlord to directly hire a certified lead evaluation contractor. The bill also requires municipalities to assess an additional fee of \$20 per unit inspected for deposit into the Lead Hazard Control Assistance Fund, unless the dwelling has already been charged a comparable fee by the DCA.

The bill provides that if an inspection reveals the presence of lead-based paint hazards in a rental property, and the DCA determines that the removal or relocation of a household is warranted, then the DCA is required to authorize the payment of relocation assistance and assist in the relocation of the household.

The DCA, in consultation with the Department of Health (DOH), is also required to establish an educational program and training seminar concerning the nature of lead hazards, the importance of lead hazard control and mitigation, and the responsibilities set forth in this bill. The bill permits the DCA to charge a maximum fee of \$50 per seminar participant.

Additionally, the DCA would be required to establish guidelines for a lead hazard training seminar and forward those guidelines to all colleges and universities in the State, as well as other professional associations and community organizations. Thereafter, these institutions may offer the training seminar, upon approval from the DCA, to tenants, property owners, and other persons.

The bill also requires the DCA to: (1) publish an electronic version of the training seminar on the Internet; (2) create educational materials outlining the rights and responsibilities of parties subject to the bill; (3) promulgate rules for the dissemination of information concerning the requirements of the bill to all prospective owners of residential property constructed before 1978; and (4) solicit requests to enter into funded partnerships to provide counseling services to tenants and affected parties with regard to lead hazards.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS estimates that the bill would result in indeterminate annual increases in municipal expenditures and revenues due to the inspection of residential rental properties for lead-based paint hazards and the collection of inspection fees.

The bill is also expected to result in indeterminate annual increases in State expenditures and revenues associated with: (1) the establishment of an educational program and training seminar by the DCA and the collection of seminar fees; (2) the collection of an additional \$20 inspection fee for deposit into the Lead Hazard Control Assistance Fund (unless the dwelling has already been charged a comparable fee by the DCA); (3) the provision of relocation assistance to certain tenants following the discovery lead hazards in residential rental properties; and (4) the elimination of the exemption for seasonal rental units from various inspection and registration requirements provided under current law.

Municipal Lead Inspections

Under the bill, municipalities are responsible for inspecting certain residential rental properties for lead-based paint hazards upon tenant turnover. Consequently, the bill is expected to increase municipal expenditures associated with the inspection of these rental properties. The OLS notes municipalities with a greater number of residential rental properties are expected to incur larger cost increases compared to those with fewer rental properties. The lead-safe certification provided to the property owner by the lead evaluation contractor or permanent local agency would be valid for two years.

However, these inspection costs are expected to vary significantly by municipality depending on the entity that conducts the inspection, the type of inspection that is conducted, and the number of rental units that undergo municipal inspection. As such, the OLS is unable to quantify the total costs that will be incurred by municipalities as a result of the bill. The OLS notes that the bill permits the dwelling owner or landlord to directly hire a certified lead evaluation contractor or conduct self-inspections of a rental property, provided that (1) the person completes the seminar established by the DCA, and (2) the property was certified as lead-safe within the preceding five years., which could reduce municipalities' inspection responsibility. Also, the OLS expects municipalities that are permitted to conduct visual assessments to experience reduced inspection costs compared to those that use dust wipe sampling.

The OLS notes that any inspection costs that are incurred by a municipality may be partially or wholly offset by the collection of inspection fees. Under the bill, municipalities are required to impose a fee sufficient to cover the costs of the inspection, including the cost of hiring a lead evaluation contractor.

DCA Educational Program and Seminar

The bill is expected to result in an indeterminate increase in State expenditures and revenues associated with the establishment of an educational program and training seminar by the DCA and the collection of seminar fees. Absent information from the DCA concerning the manner in which these requirements would be implemented, the OLS is unable to quantify the anticipated increase in State expenditures. However, the OLS notes that these cost increases are expected to be partially or wholly offset by the collection of seminar fees equal to a maximum fee of \$50 per seminar participant.

Provision of Relocation Assistance

The bill would result in increases in State expenditures and revenues associated with the provision of relocation assistance to certain tenants following the discovery of lead hazards in residential rental properties.

Under current law, when relocation assistance is authorized pursuant to the Lead Hazard Control Assistance Act, the DCA may seek reimbursement from the owner of the rental property from which a tenant is removed. Moreover, the DCA is required to seek reimbursement from the rental property owner if a tenant has been removed from the property due to the owner's failure to maintain a lead-safe condition. In this circumstance, all relocation costs are required to be repaid by the owner of the rental property. If these costs are not repaid within ten days of the due date, the law requires interest to accrue on the unpaid balance at a rate of 18 percent per annum until all costs are fully paid.

Assuming that the provision of any relocation assistance mandated under this bill would result from the determination that the rental property owner failed to maintain a lead-safe condition, the OLS anticipates that these costs would be at least partially reimbursed by the owners of affected rental properties.

Elimination of Certain Seasonal Unit Exemptions

The bill also eliminates the exemption for seasonal rental units from various inspection and registration requirements provided under current law. As a result, the bill is expected to increase State expenditures and revenues associated with the inspection and registration of these rental properties and the collection of fees therefrom. Due to information constraints, the OLS is unable to determine the number of seasonal rental units that would become subject to inspection and registration. As a result, the OLS is unable to quantify the anticipated fiscal impact of eliminating this exemption.

Section: *Local Government*

Analyst: *Benjamin A. Levy*
 Assistant Fiscal Analyst

Approved: *Frank W. Haines III*
 Legislative Budget and Finance Officer

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).