

LEGISLATIVE FISCAL ESTIMATE

[Second Reprint]

SENATE, No. 4081

STATE OF NEW JERSEY
219th LEGISLATURE

DATED: DECEMBER 22, 2021

SUMMARY

Synopsis:	Prohibits certain utility discontinuances; establishes Winter Termination Program; requires BPU to include sewer and water public utilities in Winter Termination Program.
Type of Impact:	Annual increase in State costs; annual net revenue impact on local governments
Agencies Affected:	New Jersey Board of Public Utilities; Department of Community Affairs; certain local governments

Office of Legislative Services Estimate

Annual Fiscal Impact	
State Cost Increase	Indeterminate
Local Governments-Net Revenue Impact	Indeterminate

- The Office of Legislative Services (OLS) finds that this bill will cause an indeterminate increase in annual State costs to the Department of Community Affairs (DCA), which will be required to dedicate an unknown amount of staff time and resources to the establishment of its Winter Termination Program.
- The Board of Public Utilities (BPU) will likely incur an indeterminate annual cost increase to include water and sewer public utilities within its existing Winter Termination Program. The amount of staff time and resources required to administer the program will likely increase due to the expanded pool of eligible customers and the bill’s provision allowing for self-certification for those who are unable to pay their sewer or water bills.
- Municipal utilities and authorities will have some revenues deferred under the bill because it requires that they offer residential customers a minimum 12-month repayment plan on unpaid balances, with some exceptions. Residential customers are also to pay no interest or other penalties on any charges accrued through the end of the extension period, which will have an indeterminate net revenue impact on the municipal utilities and authorities.

BILL DESCRIPTION

This bill provides that the provisions of Executive Order No. 246 of 2021 concerning a grace period for residential customers of certain utilities are to remain in effect for certain electric, gas, sewer, and water service through March 15, 2022. Certain residential customer electric, sewer, or water service discontinuances occurring between the termination date of the grace period established pursuant to the executive order and the effective date of this bill are to be nullified and service is to be restored immediately. The extended grace period is to expire on March 15, 2022.

The bill also provides that prior to discontinuing service to a residential customer, or placing, selling, or enforcing a lien on real property owned by a residential customer, for the unpaid balances accrued between the declaration of a public health emergency in Executive Order No. 103 of 2020 and March 15, 2022, a local authority, municipal utility, rural electric cooperative, or public utility is required to offer to residential customers bill payment plans for the unpaid balance of utility charges accrued between certain periods prior to March 15, 2022.

This bill directs the DCA to establish the Winter Termination Program, which is to prohibit a local authority, municipal utility, or rural electric cooperative from discontinuing service each year during the period from November 15 through March 15, for residential customers. The program is to reflect the provisions of the BPU Winter Termination Program for residential electric and gas public utility service as appropriate for electric, sewer, and water service offered by local authorities, municipal utilities, or rural electric cooperatives. The bill requires the BPU to apply the provisions of its Winter Termination Program to sewer and water public utilities, in addition to electric and gas public utilities.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS finds that this bill will cause an indeterminate increase in annual State costs to the DCA, which will be required to dedicate an unknown amount of staff time and resources to the establishment and ongoing administration of its Winter Termination Program. The BPU will likely incur an indeterminate annual cost increase to include water and sewer public utilities within its existing Winter Termination Program. The amount of staff time and resources required to administer the program will likely increase due to the expanded pool of eligible customers and the bill's provision allowing for self-certification for those who are unable to pay their sewer or water bills.

Municipal utilities and authorities will have some revenues deferred, as the bill requires them to offer residential customers a minimum 12-month repayment plan for any unpaid balances incurred from between the declaration of a state of emergency in Executive Order No. 103 of 2020 and March 15, 2022 - the new extension period established by this bill. In effect, customer charges that were due and payable are to be amortized over at least 12 months and will delay payments to municipal utilities and authorities.

The bill will also result in a net fiscal impact on the revenues of municipal utilities and authorities, the direction of the impact being uncertain. On one side of the ledger, offering customers additional time to pay their outstanding balances may result in municipal utilities and

authorities ultimately collecting the amounts owed to them for the services provided, albeit at a later date. On the other side of the ledger, customers are not to pay any interest or penalties on their unpaid balances under a payment plan, which will reduce revenues to the municipal utilities and authorities compared to what they were otherwise owed. Moreover, municipal utilities and authorities may offer customers a combined payment plan of less than 12-months if it forgives at least 50 percent of the amount due and is consented to by the customer. This option incentivizes customers to pay some of the amounts owed but will reduce municipal utility and authority revenues.

The net effect of these countervailing forces is indeterminate. The ultimate effect on the revenues of municipal utilities and authorities will depend on customer ability and willingness to pay. The OLS notes that if a customer does not agree to a payment plan within 30 days of it being offered, municipal utilities and local authorities may take enforcement action after March 15, 2022, including discontinuing service or placing, selling, or enforcing a lien.

Section: Authorities, Utilities, Transportation and Communications

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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.).