

# SENATE BUDGET AND APPROPRIATIONS COMMITTEE

## STATEMENT TO

[First Reprint]

## **SENATE, No. 3337**

with committee amendments

# **STATE OF NEW JERSEY**

DATED: MARCH 6, 2023

The Senate Budget and Appropriations Committee reports favorably and with committee amendments Senate Bill No. 3337 (1R).

As amended by the committee, this bill would establish a Community Hazard Assistance Mitigation Program (“CHAMP”) and a CHAMP Revolving Loan Fund (fund) in the New Jersey Infrastructure Bank (NJIB). The bill would also amend the “New Jersey Infrastructure Trust Act,” P.L.1985, c.334 (C.58:11B-1 et seq.), to make various changes to the NJIB’s enabling law.

The bill directs the State Office of Emergency Management (OEM), in conjunction with the NJIB, to apply to the Federal Emergency Management Agency (FEMA) under the provisions of the “Safeguarding Tomorrow through Ongoing Risk Mitigation Act” or “STORM Act,” Pub.L.116-284, when funding is available, to enter into an agreement to capitalize the fund established by the bill. In addition, the bill authorizes the NJIB to issue bonds for the financing of hazard mitigation and resilience projects.

The “New Jersey Infrastructure Trust Act,” P.L.1985, c.334 (C.58:11B-1 et seq.), authorizes the NJIB to issue bonds to provide funding for environmental infrastructure and transportation infrastructure projects. This bill expands the authority of the NJIB to include the financing of hazard mitigation and resilience projects undertaken by State entities, local governments, and nonprofit organizations, in accordance with the provisions of the STORM Act and this bill.

The bill directs the OEM, in consultation with the Commissioner of Environmental Protection, to develop a priority system for hazard mitigation and resilience projects and establish the ranking criteria and funding policies for the hazard mitigation and resilience projects to be financed through the program established by the bill. The bill requires this project priority list for the ensuing fiscal year to be submitted to the Legislature on or before January 15th of each year. In addition, the bill requires the OEM, in consultation with the Commissioner of Environmental Protection, to submit a “CHAMP Project Eligibility List” identifying projects to receive funding from the NJIB pursuant to

the bill. The bill directs the NJIB to submit this list to the Legislature by May 15th of each year to be considered by the Legislature in the form of appropriation bills. The bill provides that the NJIB, on or before October 15 of each year, may submit an additional project eligibility list, to be considered by the Legislature in the form of appropriation bills. The bill provides that the NJIB shall not expend any moneys for a hazard mitigation or resilience project unless that expenditure is authorized pursuant to an appropriation act of the current or three immediately preceding fiscal years.

In addition, the bill directs the NJIB, on or before May 15th of each year, to submit to the Legislature a financial plan designed to implement the financing of hazard mitigation and resilience projects on the CHAMP Project Eligibility List. The bill provides that, on or before June 30 of each year, the Legislature may reject the financial plan through the adoption by both houses of a concurrent resolution, and if the Legislature takes no action on or before June 30, the financial plan would be deemed approved.

The “STORM Act” authorizes FEMA to enter into agreements with certain state agencies to provide capitalization grants for hazard-mitigation revolving loan funds. The funds are to be used to provide low interest loans to fund mitigation projects, including mitigation projects on buildings that reduce damage risk, reduce insurance rates, and bring buildings into FEMA minimum National Flood Insurance Program (NFIP) requirements. The STORM Act requires the revolving funds to be administered by the agency responsible for emergency management in the state; however, it provides that the FEMA Administrator may allow the financial administration of the fund to be combined with the financial administration of another revolving fund under certain conditions, including that (1) the capitalization grant, entity share, repayments of loans, and interest earned on amounts in the fund are accounted for separately from other amounts, and (2) the authority to establish assistance priorities and carry out oversight activities remains in the control of the entity agency responsible for emergency management in the State.

Thus, under this bill, the CHAMP revolving loan fund would be established in the NJIB, with the State Office of Emergency Management applying to FEMA in conjunction with the NJIB. In addition, the State Office of Emergency Management, in consultation with the Commissioner of Environmental Protection, is charged with developing the priority system and establishing the ranking criteria and funding policies for the hazard mitigation and resilience projects to be financed through the program created by this bill.

With regard to the bill’s provisions that amend the “New Jersey Infrastructure Trust Act,” P.L.1985, c.334 (C.58:11B-1 et seq.), to make various changes to the NJIB’s enabling law, the bill:

(1) incorporates language concerning the new program to be established under the bill for hazard mitigation and resilience projects;

(2) adds language to allow for the resale of bonds to allow the NJIB to buy and sells its bonds for cross-investment purposes;

(3) clarifies language concerning maturity of long-term loans;

(4) increases from \$8.8 billion to \$10 billion the aggregate principal of bonds, notes, or other obligations of the NJIB;

(5) extends from 2033 to 2053 the date by which the NJIB may no longer make loans or incur indebtedness;

(6) clarifies that the NJIB is authorized to provide loans and other financial assistance to public water systems and other persons, rather than to local government units only; and

(7) makes other technical and clarifying changes.

As amended and reported by the committee, this bill is identical to Assembly Bill No. 4866 (3R), which was also reported by the committee on this date.

#### COMMITTEE AMENDMENTS:

The committee amendments remove the language in section 12 of the bill that revised how the NJIB provides public notice concerning the sale of bonds and restores the requirement in current law concerning newspaper publication. The committee amendments also make a correction to the title of a federal act and add a citation.

#### FISCAL IMPACT:

The Office of Legislative Services (OLS) concludes that the bill may result in a State expenditure increase of up to \$500,000 in the first year the bill is in effect. If the full \$500,000 is not expended in the first year, the residual amount will be spent in subsequent fiscal years until the full \$500,000 is exhausted. Cost increases for ongoing administration of the Community Hazard Assistance Mitigation Program established by the bill are indeterminate.

The OLS notes that the New Jersey Infrastructure Bank would experience increased revenues generated through administrative fees used to reimburse the Infrastructure Bank for administrative and operating expenses incurred in administering the Community Hazard Assistance Mitigation Program.