

LEGISLATIVE FISCAL ESTIMATE

SENATE, No. 4119

STATE OF NEW JERSEY

222nd LEGISLATURE

DATED: JULY 9, 2026

SUMMARY

Synopsis: Requires water purveyors to inspect and repair underground water distribution infrastructure; establishes certain liability of water purveyors.

Type of Impact: Annual State expenditure increase; annual local government expenditure increase; potential annual State revenue increase.

Agencies Affected: Department of Environmental Protection; certain local government units.

Fiscal Impact	Annual
State Expenditure Increase	Indeterminate
Potential State Revenue Increase	Indeterminate
Local Expenditure Increase	Indeterminate

- The Office of Legislative Services (OLS) finds that this bill would result in recurring expenditure increases to the State and certain municipal water purveyors that are subject to the new underground water distribution infrastructure inspection, monitoring, investigation, and repair or replacement requirements imposed by the bill, but lacks sufficient information to estimate the extent of the increase.
- The bill may also result in an indeterminate annual increase in State revenue from civil administrative penalties and may increase costs to the water purveyors in the State as a result of their becoming liable for property damage resulting from infrastructure failures caused by failure to inspect as required under the bill.

BILL DESCRIPTION

This bill requires water purveyors to inspect underground water distribution infrastructure in their public community water systems at least once every five years, or every two years on iron or galvanized infrastructure or infrastructure 30 years or older, using techniques determined by the Department of Environmental Protection. In areas where water loss is known, and neither leak detection nor visual and physical inspection of the underground water distribution infrastructure yield a source of water loss, a water purveyor is to verify soil conditions along its water distribution

system for anomalies through ground penetrating radar or other subsurface geological conditions investigation. In addition to soil condition observations, a water purveyor is to undertake and verify, through customer-side water pressure surveillance and feedback, areas of water loss. In areas prone to sinkholes due to karst or similar formations, a water purveyor is to implement an active water loss monitoring and reporting system that is to result in physical investigation of the water distribution system in isolated areas. A water purveyor is to immediately repair or replace any underground water distribution infrastructure found to be weakened or in danger of collapse.

The bill provides that a water purveyor is to be liable for and assume responsibility for the restoration of any property damage that a homeowner or business incurs as a result of an underground water distribution infrastructure failure that occurs due to a failure to inspect that infrastructure pursuant to the bill.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS finds that the bill will result in an indeterminate, recurring increase in State enforcement expenditures, and local expenditures for those water purveyors that are subject to the new underground water distribution infrastructure inspection, monitoring, investigation, and repair or replacement requirements imposed by the bill. The bill may also result in an indeterminate annual increase in State revenues. However, the OLS lacks sufficient information to estimate the extent of these increases.

The bill may increase annual expenditures by the Department of Environmental Protection to determine the inspection techniques required under the bill, provide guidance to water purveyors in the State, review water purveyor compliance with the provisions of the bill, and undertake enforcement actions. The OLS cannot determine whether the department would be able to absorb these responsibilities using existing staff and resources, or whether additional staff or resources would be required.

The bill may also increase expenditures for any State entity that operates a public community water system that is subject to the bill's inspection, monitoring, repair, or replacement requirements.

The bill would result in an indeterminate annual increase in expenditures by local government units and local authorities that operate public community water systems. These entities would incur costs to inspect underground water distribution infrastructure, conduct leak detection, perform visual and physical inspections, conduct analytical tracking, isolate water loss, perform ground penetrating radar or other subsurface investigations, conduct customer-side water pressure surveillance, and implement active water loss monitoring and reporting systems in areas prone to sinkholes.

Local costs would also increase if inspections identify infrastructure that is weakened or in danger of collapse, because the bill requires a water purveyor to immediately repair or replace that infrastructure. Repair and replacement costs could vary significantly based on the type, size, age, condition, depth, and location of the affected infrastructure, as well as labor, engineering, permitting, excavation, traffic control, and restoration costs.

The OLS notes that some water purveyors may already perform certain inspections, leak detection, asset management, or water loss control activities. For these purveyors, the bill's fiscal impact may be lower. For water purveyors that do not already perform inspections at the frequency or level of detail required by the bill, the fiscal impact may be greater.

The bill establishes liability for property damage incurred by a homeowner or business resulting from underground water distribution infrastructure failures that occur due to a failure to inspect water infrastructure, pursuant to the bill. This provision may increase costs for water purveyors, including for local government units and local authorities, depending on the number of claims, the extent of property damage, insurance coverage, legal costs, and the outcome of any litigation. The OLS cannot estimate these costs because they will depend on future infrastructure failures and case-specific, factual determinations regarding whether those infrastructure failures occurred because a water purveyor failed to inspect its water infrastructure, as required by the bill.

The bill may result in an indeterminate increase in State revenue from civil administrative penalties imposed for violations of the bill. Because the OLS cannot predict the number of violations or enforcement actions that will result from this bill, the amount of any penalty revenue increase to the State is indeterminate.

Section: Environment, Agriculture, Energy, and Natural Resources

*Analyst: Neha Mehta Patel
Lead Fiscal Analyst*

*Approved: Thomas Koenig
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.).