SENATE ENVIRONMENT AND ENERGY COMMITTEE

STATEMENT TO

SENATE, No. 3812

STATE OF NEW JERSEY

DATED: JUNE 15, 2021

The Senate Environment and Energy Committee favorably reports Senate Bill No. 3812.

This bill would appropriate certain federal and State moneys to the Department of Environmental Protection (DEP) for the purpose of implementing the State Fiscal Year 2022 New Jersey Environmental Infrastructure Financing Program (NJEIFP), which is expected to finance up to $1.979 billion in water infrastructure projects for State Fiscal Year 2022. The bill would appropriate these funds for the purpose of making loans to local governments and privately-owned water companies (project sponsors) for a portion of the costs of water infrastructure projects.

A companion bill, Senate Bill No. 3813, would authorize the I-Bank to execute loans using the funds appropriated to the DEP by this bill to finance a portion of the costs of the clean water and drinking water projects enumerated by the bill.

This bill and the companion bill would establish: (1) a list of 11 projects to improve water discharge and treatment systems that had previously received a loan and require supplemental loans, representing $75.45 million in estimated total loan amounts; (2) a list of two projects to improve drinking water systems that had previously received a loan and require supplemental loans, representing $28.5 million in estimated total loan amounts; (3) the "Storm Sandy and State Fiscal Year 2022 Clean Water Project Eligibility List," a list of 133 projects to improve water discharge and treatment systems, representing $1.285 billion in estimated total loan amounts; (4) a list of four projects in the in the Pinelands area that are receiving funding under the “Pinelands Infrastructure Trust Bond Act of 1985,” P.L.1985, c.302 to improve water discharge and treatment systems, representing $15.343 million in estimated total loan amounts; and (5) the "State Fiscal Year 2021 Drinking Water Project Eligibility List,” a list of 72 projects to improve drinking water systems, representing $574.449 million in estimated total loan amounts. Several projects in the "Storm Sandy and State Fiscal Year 2022 Clean Water Project Eligibility List" and the "State Fiscal Year 2021 Drinking Water Project Eligibility List,” representing $409.168 million in estimated total loan amounts, are eligible to receive long-term funding from the New Jersey Infrastructure Bank (I-Bank) by the end of FY2021, and thus would not receive loans under the 2022 NJEIFP. However, they

are included in these lists in the event that long-term financing cannot be secured by the end of FY2021.

The bill would also appropriate the unexpended balances from various funds to the DEP, and allow the DEP to transfer moneys between various State funds, for the purpose of funding the NJEIFP and providing the State match for federal funding provided under the federal laws, including the Clean Water Act and Safe Drinking Water Act, as detailed in subsection a. of section 1 of the bill. In particular, the bill would authorize the DEP to transfer up to $25 million of the $60 million appropriated to the department for Drinking Water Infrastructure by the State fiscal year 2021 annual appropriations act, P.L.2020 c.97, to the I-Bank to invest, provide debt service reserve or guarantee, or pay interest on behalf of a project sponsor.

The bill would authorize loans to certain project sponsors to include zero interest or principal forgiveness, subject to certain funding limits and restrictions detailed in subsections b. through e. of section 1 of the bill. Projects designated for zero interest or principal forgiveness loans include projects that reduce or eliminate discharges from combined sewer overflow outfalls, water quality restoration projects, projects by drinking water systems that serve fewer than 500 persons, and lead service line replacement projects.

The bill would establish certain requirements on loans to project sponsors made by the DEP pursuant to the bill, as enumerated in section 4 of the bill. The bill would also establish additional restrictions, described in section 5 of the bill, for "Sandy financing loans," which are those loans that utilize federal funding provided pursuant to the federal "Disaster Relief Appropriations Act, 2013," Pub.L.113-2.

Under the bill, the project lists and the DEP's authorization to utilize the funds appropriated by the bill would expire on July 1, 2022.

The bill would authorize the I-Bank to utilize repayments of loans made using moneys from various State funds, enumerated in subsections a. and b. of section 10 of the bill, to recoup trust bond repayments and administrative fees that have not been paid by project sponsors instead of redepositing the money into the funds. However, the bill would also require the I-Bank to make a compensatory deposit into certain State funds, enumerated in subsection c. of section 10 of the bill, when the I-Bank receives the deficient payments or fees from the project sponsor. Finally, the bill would appropriate to the I-Bank, from repayments of loans, interest payments, certain federal funds, and any earnings received from the investment of those funds, as enumerated in sections 12 and 13 of the bill, such amounts as the chairperson or secretary of the I-Bank certifies are necessary and appropriate for deposit into one or more reserve funds established by the I-Bank.