

LEGISLATIVE FISCAL ESTIMATE
ASSEMBLY, No. 5538
STATE OF NEW JERSEY
221st LEGISLATURE

DATED: JUNE 23, 2025

SUMMARY

Synopsis: Prohibits municipal utilities authority from charging fire district water service charges for fire protection systems if authority imposes water service charges on customers who are also taxpayers of fire district.

Type of Impact: Annual local government revenue loss.

Agencies Affected: Municipal utility authorities; fire districts.

Office of Legislative Services Estimate

Annual Fiscal Impact	
Local Government Revenue Loss	Indeterminate

- The Office of Legislative Services (OLS) concludes that this bill would result in an annual local government revenue loss because municipal utility authorities would no longer be permitted to charge a fire district for a fire protection system’s water supply when water customers of the authority are also taxpayers of the fire district. This would result in an indeterminate revenue loss to the affected municipal utility authority while the affected fire district would have a concomitant reduction in its expenditures.

BILL DESCRIPTION

The bill would prohibit a municipal utility from imposing water service charges for fire protection systems upon a fire district if the authority also imposes water service charges upon customers of the authority who are taxpayers of the fire district. The bill intends to end to a practice sometimes used by a municipal utility authority which causes a ratepayer of the authority who is also a taxpayer of the fire district to be charged twice for the same fire protection water supply – once through the payment of rates to the authority and again through the payment of taxes to the fire district.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS concludes that this bill would result in an annual local government revenue loss because municipal utility authorities would no longer be permitted to charge a fire district for a fire protection system's water supply when water customers of the authority are also taxpayers of the fire district. This would result in an indeterminate revenue loss to the affected municipal utility authority while the affected fire district would have a concomitant decrease in its expenditures. The OLS is unable to estimate the number of municipal utility authorities that currently engage in this practice and the exact water service charges that are being duplicated and is, therefore, unable to estimate the extent of these fiscal impacts.

The OLS notes, however, that municipal utility authorities are created to perform specific functions within a municipality and are required to be self-financing, and if one is not self-financing, the deficit must be appropriated in the general municipal budget of the subsequent year. Municipal utility authorities are also broadly authorized to charge and collect rents, rates, fees, and other charges for the provision of water service, and since the bill prohibits these authorities from charging fire districts for fire a fire protection system's water supply, a municipal utility authority could potentially shift revenue losses onto other ratepayers.

Section: *Local Government*
Analyst: *Abigail Stoyer*
 Senior 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.).