

# SENATE ENVIRONMENT AND ENERGY COMMITTEE

## STATEMENT TO

### SENATE, No. 2734

# STATE OF NEW JERSEY

DATED: JUNE 13, 2022

The Senate Environment and Energy Committee favorably reports Senate Bill No. 2734.

This bill appropriates certain federal and State moneys to the Department of Environmental Protection (DEP) for the purpose of implementing the State Fiscal Year 2023 New Jersey Environmental Infrastructure Financing Program (NJEIFP), which is expected to finance up to \$2.07 billion in water infrastructure projects for State Fiscal Year 2023. 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. 2735 of this session, would authorize the New Jersey Infrastructure Bank (NJIB) 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.

The bill would authorize the DEP to use the moneys appropriated by the bill to fund the following projects:

(1) in subsection a. of section 2 of the bill, a list of 12 projects to improve water discharge and treatment systems that had previously received a loan and require supplemental loans, representing \$96.4 million in estimated total loan amounts;

(2) in subsection b. of section 2 of the bill, a list of three projects to improve drinking water systems that had previously received a loan and require supplemental loans, representing \$29.5 million in estimated total loan amounts;

(3) in paragraph (1) of subsection a. of section 3 of the bill, the "Storm Sandy and State Fiscal Year 2023 Clean Water Project Eligibility List," a list of 92 projects to improve water discharge and treatment systems, representing \$939.6 million in estimated total loan amounts;

(4) in paragraph (2) of subsection a. of section 3 of the bill, a list of four projects 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 \$15.3 million in estimated total loan amounts; and

(5) in subsection b. of section 3 of the bill, the "Storm Sandy and State Fiscal Year 2023 Drinking Water Project Eligibility List," a list

of 53 projects to improve drinking water systems, representing \$762.9 million in estimated total loan amounts.

Several projects in the "Storm Sandy and State Fiscal Year 2023 Clean Water Project Eligibility List" and the "Storm Sandy and State Fiscal Year 2023 Drinking Water Project Eligibility List," representing \$222.1 million in estimated total loan amounts, are eligible to receive long-term funding from the NJIB by the end of FY2022, and thus would not receive loans under the 2023 NJEIFP if they receive funding during FY2022. They are included in these lists in the event that long-term financing cannot be secured by the end of FY2022.

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 addition, the bill appropriates to the DEP funds deposited in the "Clean Water State Revolving Fund" and the "Drinking Water State Revolving Fund" pursuant to the federal "Infrastructure Investment and Jobs Act," Pub. L. 117-58.

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, water and energy efficiency projects, and emerging contaminant 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, 2023.

The bill would also authorize the NJIB 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 NJIB to make a compensatory deposit into certain State funds, enumerated in subsection c. of section 10 of the bill, when the NJIB receives the deficient payments or fees from the project sponsor. Finally, the bill would appropriate to the NJIB, 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 NJIB certifies are necessary and appropriate for deposit into one or more reserve funds established by the NJIB.