

# SENATE BUDGET AND APPROPRIATIONS COMMITTEE

## STATEMENT TO

[Second Reprint]  
**ASSEMBLY, No. 3898**

# **STATE OF NEW JERSEY**

DATED: JANUARY 13, 2014

The Senate Budget and Appropriations committee reports favorably Assembly Bill No. 3898 (2R).

This bill provides a mechanism for the financing, by municipalities, of water conservation, storm shelter construction, and flood and hurricane resistance projects, and expands the “clean energy special assessment,” established in current law pursuant to P.L.2011, c.187 (N.J.S.A.40:56-1.4 et al.), into the “clean energy and storm resistance special assessment.”

Currently, the governing body of a municipality, upon application to and approval by the Director of the Division of Local Government Services in the Department of Community Affairs, may undertake the financing of the purchase and installation of renewable energy systems and energy efficiency improvements made by property owners. By ordinance, the municipality may provide for a “clean energy special assessment” to be imposed on those properties when the property owner has requested the assessment in exchange for receiving assistance with the initial financing. The only types of projects eligible for this treatment are the installation of renewable energy systems and energy efficiency improvements.

Under the bill, water conservation projects, flood resistant construction projects, hurricane resistant construction projects, storm shelter projects, and safe room projects will also be eligible for a “clean energy and storm resistance special assessment.”

Under current law, to finance eligible projects, the governing body of the municipality may issue bonds itself pursuant to N.J.S.A.40:56-13.2, or may apply to a county improvement authority that issues bonds pursuant to paragraph (2) of subsection (j) of N.J.S.A.40:37A-55. Currently, use of private financing is not explicitly prohibited.

This bill clarifies that the governing body of the municipality may also use private funds to finance eligible projects.

This bill also allows qualified private or non-profit entities to establish programs to finance the purchase and installation of eligible projects. Upon application to and approval by the Director of the Division of Local Government Services in the Department of Community Affairs, private or non-profit entities will be able to

contract with municipalities that have also gained the director's approval to administer lending agreements for those municipalities. The entity could then serve to administer the program for the municipality using funding from the municipality, a county improvement authority, or private entities, or by using its own funding. As in programs administered by the municipality itself, the entity will be repaid through a clean energy and storm resistance special assessment.

As reported, this bill is identical to Senate Bill No. 2632, as amended and reported by the committee on this date.

FISCAL IMPACT:

The bill will have an indeterminate impact on local finances. Use of the financing tools under the bill is optional to each municipality. A municipality may incur additional costs associated with the issuance of bonds and payments to any third-party entities hired to administer an energy improvement and storm resistance project program. The program is designed to be self-liquidating because the principal and interest on bonds issued to finance the purchase of renewable energy systems and storm resistance project construction will be paid by revenues generated through a special assessment on the improved property. Municipalities may be required to expend general revenues to provide for the repayment bonds or loans if a property owner fails to make required payments of the special assessment. In most cases, a municipality should be able to recover its costs through enforcement of its lien against the property owner under general law.