

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

ASSEMBLY, No. 5020
STATE OF NEW JERSEY
220th LEGISLATURE

DATED: APRIL 4, 2023

SUMMARY

Synopsis:	Prohibits water utility from taking certain actions if utility fails to participate in Low Income Household Water Assistance Program.
Type of Impact:	State cost and revenue increases; local cost increases; variable impacts on local revenues.
Agencies Affected:	Department of Community Affairs, Board of Public Utilities, Local government water utilities.

Office of Legislative Services Estimate

Fiscal Impact	<u>Time-Limited Duration of the Low Income Household Water Assistance Program</u>
State Cost Increase	Indeterminate
State Revenue Increase	Indeterminate
Local Cost Increase	Indeterminate
Local Revenue Impact	Indeterminate

- The Office of Legislative Services (OLS) has determined that local government water utilities will experience divergent revenue impacts depending on whether or not these utilities enter into a vendor contract with the Department of Community Affairs and participate in the Low Income Household Water Assistance Program (LIHWAP) due to the provisions of the bill. These impacts are expected to occur from the bill’s effective date through September 30, 2023.
- Those utilities participating in the program will potentially experience an indeterminate increase in revenues associated with receiving monies allocated to the State for LIHWAP by the federal government. These utilities will receive payments for water and sewer services rendered that they might not have otherwise collected due to customers’ inability to pay.
- Local government utilities not entering into vendor contracts with the department will likely experience a revenue reduction under the bill because they would not receive LIHWAP assistance allocated to the State nor would they be able to enforce liens or discontinue service to compel customer payment on delinquent accounts.

- The bill also will result in an indeterminate increase in expenditures to the Department of Community Affairs, the Board of Public Utilities, and local government water utilities to provide the required customer notifications and undertake additional responsibilities required by the bill.
- Local government water utilities may incur fines for taking certain enforcement actions against customers in violation of the bill's provisions or for failing to advertise eligibility for the LIHWAP. The State may collect an indeterminate amount of revenue from these violations. However, the OLS does not anticipate widespread, willful non-compliance with the provisions of the bill.

BILL DESCRIPTION

This bill imposes certain temporary requirements on water service providers, including local authorities, municipal utilities, and public utilities, concerning their participation in the Low Income Household Water Assistance Program. Currently, the department uses federal funding to administer the LIHWAP, which provides financial assistance toward the water and wastewater bills of certain low-income households. As required under federal law, this financial assistance is provided directly to the water service providers that service participating low-income households. However, before the customers of a water service provider can receive assistance under the program, the water service provider would need to enter into a vendor contract with the department to participate in the program.

The bill provides that each water service provider would be required to enter into the vendor contract and participate in the program. However, the bill stipulates that the vendor contract is not to prohibit a water service provider from undertaking certain actions to collect on delinquent accounts after September 30, 2023.

Before October 1, 2023, the bill provides that if a water service provider fails to enter into a vendor contract with the DCA, or otherwise fails to allow customers to participate in the LIHWAP, the water service provider is to be prohibited from: 1) discontinuing the water or wastewater service of any residential customer for non-payment; and 2) in the case of a local authority or municipal utility, from placing, selling, or enforcing a lien on real property for the unpaid balance of the water or wastewater charges of any residential customer. A water service provider that violates this prohibition is to be subject to a fine of \$500 for each calendar day in which the water or wastewater service is discontinued for non-payment.

Additionally, the bill requires each water service provider to advertise eligibility for the LIHWAP in various ways. A water service provider that violates this requirement would be subject to a fine of \$100 for each instance.

The bill also requires the department and Board of Public Utilities to provide written notice to water service providers concerning the provisions of this bill. If the department determines that the water service provider has failed to enter into the required vendor contract or otherwise failed to allow its customers to participate in the LIHWAP, the notice would be required to indicate, in a clear and conspicuous manner, that the water service provider is prohibited from undertaking the actions specified in the bill. The bill also requires separate notice to be provided when the application period for the LIHWAP is terminated and the provisions of the bill no longer apply.

The bill also requires the department to provide written instructions to each water service provider concerning the duties and responsibilities of the water service provider.

Every 14 calendar days after the date of enactment until the LIHWAP is terminated, the department would be required to provide written notice to each water service provider concerning the status of every residential customer who applies for the LIHWAP. After a water service provider has received this notice, the provider would be required to suspend any enforcement actions against any residential customer who has been approved for the LIHWAP. Additionally, if the water service provider receives notice after September 30, 2023 that a customer has been approved for the LIHWAP, the water service provider would be required to waive any interest assessed on the customer for the unpaid balance of water or wastewater charges during the period after September 30, 2023 and before the date of receipt of the notice.

Under the bill, each water service provider would be required to provide a written notice, every 14 calendar days after the date of enactment until October 1, 2023, to the department concerning the arrearages of residential customers.

The bill also requires the Department to submit reports detailing the operations of the LIHWAP to the Legislature, which reports would be submitted within 30 days after the date of enactment and every 45 days thereafter until October 1, 2023.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS has determined that local government water utilities will experience divergent revenue impacts depending on whether or not they participate in the Low Income Household Water Assistance Program due to the provisions of the bill. Water utilities participating in the program will potentially experience an indeterminate increase in revenues associated with receiving monies allocated to the State for LIHWAP by the federal government. These utilities will receive payments for services rendered that they might not have otherwise collected due to customers' inability to pay.

Total federal funding received by the State for LIHWAP is nearly \$24 million, which must be obligated by September 30, 2023 or any remaining funds revert to the federal government. As of March 29, 2023, \$12.5 million in federal LIHWAP funding has been paid by the department to water and wastewater utilities on behalf of customers with delinquent accounts, while an additional \$1.2 million in funding has been committed. Some \$10.2 million in federal funds remain available in the LIHWAP program. This represents the maximum potential revenue increase under the bill for local government water utilities participating in the program. The ultimate amount received by local government water utilities participating in the program is likely to be less than \$10.2 million available because customers of private utilities are also eligible to receive this assistance.

This analysis assumes that the payments received by local government water utilities under LIHWAP are greater than they would have received had they been permitted to pursue alternative collection techniques from delinquent customers. While federal LIHWAP funding is expected to pay the accrued balances of delinquent customer accounts, a local government water utility may forgo additional revenues they might have otherwise collected from interest charges.

Local government water utilities that do not enter into vendor contracts with the department to permit their customers to participate in LIHWAP are expected to experience an indeterminate decrease in revenues. These water utilities would not be eligible to receive any LIHWAP funding

nor would they be permitted to pursue certain collection techniques to collect on delinquent bills, such as discontinuing service or enforcing liens after the bill's effective date through September 30, 2023.

The bill also will result in an indeterminate increase in expenditures to the Department of Community Affairs, the Board of Public Utilities, and local government water utilities to provide the required customer notifications and undertake other additional responsibilities required by the bill. Local water utilities will incur fines for taking certain enforcement against customers in violation of the bill's provisions or for failing to advertise eligibility for the LIHWAP. The State may collect an indeterminate amount of revenue from these violations. However, the OLS does not anticipate widespread, willful non-compliance with the provisions of the bill.

Section: Local Government

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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.).