

APPENDIX

**Remarks by Congressman Frank Pallone, Jr.
December 14, 2016**

I want to start by thanking the Drinking Water Task Force for inviting me to testify here today. Access to safe drinking water is essential to our health and prosperity as a state and as a nation, but it is far from guaranteed.

The Safe Drinking Water Act has not been updated for 20 years, which has put our drinking water at risk. The crisis in Flint has highlighted the need for action, but water systems nationwide are in dire need of dramatic improvements, including many in New Jersey.

I have managed, with my Democratic colleagues in Congress and President Obama, to find some small successes on drinking water this Congress. Last year, I helped to pass a law to require EPA to develop a strategic plan to address the impacts of harmful algal blooms on drinking water. This year, I helped to pass a law to authorize EPA to provide technical assistance to small and rural communities struggling to provide safe water.

And last week, Congress passed a law I worked on to provide money to the community of Flint to repair and replace their drinking water infrastructure. It took far too long to get that aid for Flint, but in the end we were able to do it before Congress adjourned.

Working with Democrats in the Senate, I was able to get a few drinking water improvements in that bill - including \$750 million in funding for new drinking water programs to monitor for lead in schools, replace lead service lines, support disadvantaged communities, and support research into innovating drinking water technology; increased access to assistance for Indian Tribes; and stronger notification requirements following drinking standard violations and exceedances.

But that bill fell far short of what is needed, and in the end, was weighed down with dangerous unrelated provisions. I am sorry to report that Republicans refused to authorize needed drinking water funding. According to the most recent EPA estimates, we are looking at \$384 billion in drinking water infrastructure needs nationwide, with almost \$8 billion in need in New Jersey.

Republicans also opposed a requirement that federally funded drinking water projects use American iron and steel and pay good wages. Those requirements should not be controversial – they have been enacted through the appropriations process for years and have clear benefits for American workers and the American economy.

Replacing drinking water infrastructure is good for public health and, if done right, means high paying construction jobs and high paying jobs in the steel industry. So I will keep fighting, but it is an uphill battle.

Earlier this year, I introduced comprehensive legislation to revise the Safe Drinking Water Act and pay for our needed infrastructure improvements.

That bill, the Safe Drinking Water Act Amendments of 2016, would empower EPA to set needed drinking water standards, including a revised standard for lead and a standard for perfluorinated compounds including PFOA (pronounced p-foe-a). The DEP recently put out a new standard for PFOA in New Jersey, but having a federal standard is important to ensure that we are protecting public health.

The bill would also reduce exposure to lead in drinking water, including in schools. The bill provides grants for replacement of lead service lines in schools and communities, grants for replacement of school drinking fountains containing lead, and grants for lead monitoring programs in schools.

The bill also requires EPA to prepare new guidance for schools planning lead infrastructure replacement and update guidance for schools and child care centers on monitoring, mitigating, and communicating issues with lead contamination.

The bill would also require water systems to assess their vulnerabilities to climate change, terrorism, and source water contamination and provide funding to address those vulnerabilities.

The bill would remove the dangerous and unwarranted exemption for hydraulic fracturing, so that EPA and states would

be required to ensure that fracking does not contaminate drinking water supplies. Just yesterday, EPA released their final report on fracking, finding risks to drinking water and dangerous data gaps. So it is clearer than ever before that the exemption must be repealed.

The bill would also provide more and better information to communities concerned about the quality of their drinking water. After the crisis in Flint and findings of lead in school drinking water across New Jersey and the Country, we need to empower communities to protect themselves.

I will reintroduce this comprehensive bill early next year, and work to advance these issues however I can at the federal level. But I expect Republicans in Congress will continue to ignore these issues, and the next president is likely to join them. It will be even more important moving forward for state governments, cities and towns, and community groups to do everything they can.

So, what can this task force do? I think the most important thing to do is to understand the threats to our drinking water resources in this state. The risks from climate change and extreme weather, lead in our pipes, contaminated Superfund and Brownfield sites along our rivers, and current industrial activity should all be assessed.

I mentioned that my bill would require water systems to identify their vulnerabilities and plan to address them. This is something that could be done at the state level, and in fact New

Jersey has long been a leader in assessing and addressing vulnerabilities in our infrastructure.

We have seen numerous instances in recent years of cities losing their water supply for days or weeks - the crisis in Flint, the chemical spill in Charleston, West Virginia, the algal bloom in Toledo, Ohio, the coal ash spill in North Carolina that took out drinking water supplies in Virginia. Each of those events offer lessons.

So I think that this task force is very timely, and has an important role to play. I appreciate the opportunity to appear before you today and I look forward to working with you in the coming months.



NJ Department of Environmental Protection: **WATER INFRASTRUCTURE LINKS/ RESOURCES**



Drinking Water Resources:

Lead in Drinking Water:

<http://www.nj.gov/dep/watersupply/dwc-lead.html>

Drinking Water Watch:

https://www9.state.nj.us/DEP/WaterWatch_public/index.jsp

Drought: <http://www.njdrought.org/>

Small Systems Engineering Assistance:

http://www.nj.gov/dep/watersupply/pdf/sseci_info.pdf

Capacity Development:

http://www.nj.gov/dep/watersupply/dws_loans_capdev.html

Wastewater and Stormwater Resources:

Combined Sewer Overflow (CSO):

<http://www.nj.gov/dep/dwq/cso.htm>

Stormwater: <http://www.nj.gov/dep/dwq/fd.htm>

Green Infrastructure: <http://www.nj.gov/dep/gi/>

Municipal Stormwater Training & Tools:

<http://www.njstormwater.org/training.htm>



Asset Management: <http://www.nj.gov/dep/assetmanagement/>

Guidance: <http://www.nj.gov/dep/assetmanagement/pdf/asset-management-plan-guidance.pdf>

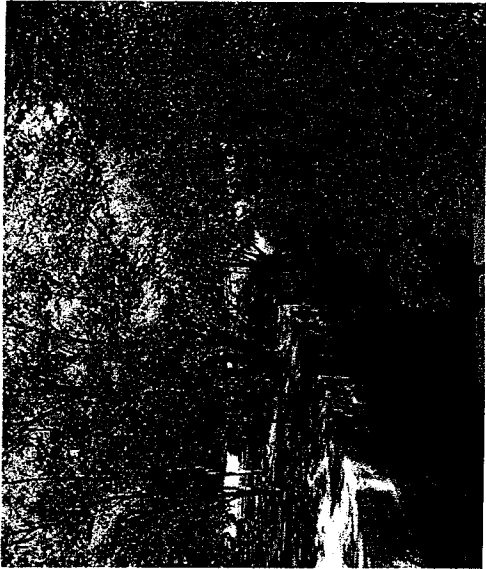
System Baseline Survey report: <http://www.nj.gov/dep/assetmanagement/pdf/am-baseline-survey-report.pdf> **and results:** <http://www.nj.gov/dep/assetmanagement/pdf/am-baseline-assessment-survey-results.pdf>

NJ Environmental Infrastructure Financing Program:

NJEIT: <https://www.njeit.org/>

Drinking Water Loans: http://www.nj.gov/dep/watersupply/dws_loans.html

Clean Water Loans: <http://www.nj.gov/dep/dwq/cwpl.htm>



H₂Loans Suite of Loan Products Offerings

The New Jersey Environmental Infrastructure Trust (NJIEIT or Trust) is the independent Finance Authority which, in partnership with the Department of Environmental Protection (DEP), provides low interest rate financing for the construction of environmental infrastructure projects that enhance ground and surface water resources, ensure the safety of drinking water supplies, protect the public health and make possible responsible and sustainable economic development.

New Jersey enjoys a national reputation as a leader in innovative and effective environmental protection strategies. The NJIEIT, through its associated H₂Loans Suite of loan products, has been a critical facilitator of this success. Each of the following H₂Loans programs provides below market rate loans through a combination of Clean Water (CW) or Drinking Water (DW) State Revolving Funds (SRF), NJIEIT Bond Proceeds, and/or cash on hand.

Short-Term Financing Offerings

Construction Loan Financing

NJIEIT makes short-term loans to fund construction of eligible infrastructure projects provided the projects have satisfied all Program requirements. For SFY2017, all construction loans are issued at a 0% interest rate for the duration of the construction period not to exceed three fiscal years. Upon project completion, CFP loans are rolled into NJEIFF long-term loans.

SAIL Disaster Relief

The Statewide Assistance Infrastructure Loan (SAIL) Program assists disaster impacted communities with bridge loan financing for projects to repair infrastructure and improve the resiliency of Water Systems. SAIL provides timely and cost effective funds in the event of a declared disaster, in order to expedite and support the State's recovery and the rebuilding of environmental infrastructure. SAIL offers advance funding for facilities pending a project's receipt of federal reimbursements working through FEMA, HUD-CDBG or other federal grant programs. In SFY2017, SAIL Loans are issued at a 0% interest rate.

Planning and Design

Financing is available for early stage eligible engineering costs which are incurred in completing Environmental Planning, and Engineering Design (P&D) work. P&D loans may be secured for up to 100% of eligible costs for projects seeking NJEIFF long-term financing subject to compliance with Program requirements. In SFY2017, P&D loans are issued at a 0% interest rate for up to three fiscal years, with the exception of P&D loans specific to the development of Long Term Control Plans for CSO communities. Such P&D loans can be issued for the term of the development of the Plan not to exceed 10 years.

Emergency Financing Program

The NJEIFF recognizes that environmental infrastructure emergencies occur endangering public health and welfare, and may result in substantial environmental damage. Qualifying emergency conditions are limited to those where a failure of the component of the water system is imminent or has occurred and, unless corrected, will result in substantial pollution to the environment (such as collapse of a wastewater line), substantial curtailment of the functions of the infrastructure, and/or harm to the public. Emergency loans may be for terms of up to three full fiscal years at a 0% interest rate.

Long-Term Financing Offerings

Base Program

The Base Program provides long-term loan funds at a below market interest rate, for up to 30 years by combining a 0% interest loan from the DEP with a AAA/Aaa market interest rate loan from the Trust. The SFY2017 Base Program offers 75% of loan funds from the DEP and 25% of loan funds from the Trust producing a blended interest rate equal to 25% of the Trust's AAA/Aaa market rate. Additionally, certain types of projects related to the Barnegat Bay Watershed, Combined Sewer Overflow Abateements with Green Infrastructure or Small System Drinking Water projects are eligible for up to 50% in Principal Forgiveness (non-repayment).

Sandy SRF (SFY2017)

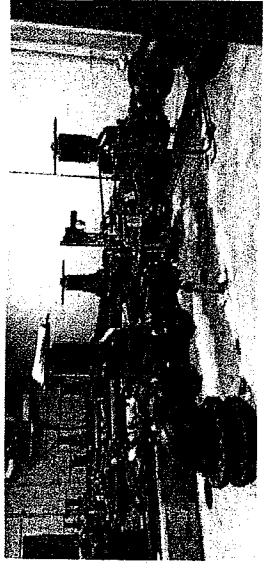
NJEIFF Loans continue to be available for environmental infrastructure projects to repair or improve resiliency of Sandy damaged systems. Sandy Loans offer a financing package that consists of approximately 19% in Principal Forgiveness from the DEP, 56% in a DEP Loan at a 0% interest rate and 25% in a Trust Loan at the Trust's AAA market rate.

Nano Loan Program

The NLP is available to Small Drinking Water Systems (SDWS) defined as those operations serving populations of up to 10,000. The NLP is designed to assist these systems with access to funds for needed infrastructure projects. The NLP offers SDWS participants between 50-100% in Principal Forgiveness. In addition, DEP administrative fees and NJEIT Cost of Issuance are waived.

Supplemental Financing Program

The Supplemental Loan Program (SLP) provides loans to current Program borrowers with projects in need of additional funds for completion such as change orders costs. Applications are placed at the top of the project priority list to ensure funding for project completion. SLP financing is issued based on the funding proportions of the original loan.



PROGRAM BENEFITS

For 30 years, NJEIP's below market rate loans have funded projects that have protected the environment, saved taxpayers over \$2.35 billion through lower interest costs, and created nearly 125,000 direct construction jobs, adding vital economic activity to the State in the process.

ADMINISTRATIVE BENEFITS

Timely Decisions - The DEP prioritizes Financing Program project reviews.

No Secondary Disclosure Requirements - Due to the size of the Financing Program, no single borrower is a "material obligated person". As a result, no Financing Program borrower is required to fulfill SEC secondary disclosure or reporting requirements. The NJEIT manages this obligation.

No Arbitrage Reporting - The Trust manages federal IRS arbitrage rebate requirements, relieving borrowers of the administration and cost of this obligation.

Asset Management - The Trust assists in the development and maintenance of asset management plans for project participants.



New Jersey
Environmental Infrastructure Trust

(609) 219-8600

www.njeit.org

www.facebook.com/njeit

DOLLAR SAVINGS BENEFITS

Interest Cost Savings - In SFY2017, Program borrowers receive 75% of their long-term financing from the DEP at 0% and the remaining 25% of funds from the Trust at the Trust's AAA market rate, creating a "blended" loan rate of 25% of the AAA market rate. This lower cost of funds results in a savings of as much as 45% of the total loan amount when compared to the cost of borrowers financing the project on their own.

Minimized Financing Costs - Borrowers are only charged 0.10% of their loan amount for bond issuance costs (COI) with the NJEIT subsidizing any residual COI expenses, dramatically minimizing each borrower's cost when compared to self-financed bond deals.

Earnings Credits - Earnings on investments in all bond funds, including the Project fund, Revenue fund and, when applicable, the Debt Service Reserve funds, are distributed to borrowers as credits towards their debt service payments.

Refunding - The Trust continually monitors market conditions to assess when interest rates meet the Trust's savings threshold for refunding prior bonds. All net savings realized from prior bond refundings, totaling over \$100 million to date, are passed on to borrowers.

No Bond Insurance Required - The security provided by the Trust's financial structure saves borrowers the expense of purchasing costly bond insurance.

CASH FLOW BENEFITS

Deferred Repayment - To better align with a project's cash flow dynamics, borrowers are allowed to defer principal and capitalize interest repayments for a period of up to 6 months after construction completion.

No Front-loading Requirement - Local Government Units issuing their own general obligation debt are required to "front load" their repayment schedule resulting in larger debt service payments in the early years of the loan. NJEIP financing provides for **level debt service** throughout the life of the loan, in effect, smoothing borrowers' cash flows.

Generous Allowable Costs - Associated project costs, including planning and design, engineering, local financing and curb-to-curb right-of-way restoration may be financed with the Program's low cost funds.

Flexible Term - Shorter term financing is available for borrowers who prefer not to have a 30-year obligation, or for assets with useful average lives of less than 30 years.

Debt Service Reserve Fund - Borrowers are generally relieved of their obligation to commit a portion of loan funds to a debt service reserve fund due to the Program's Master Program Trust structure.

Notes:



Testimony - New Jersey Needs to Ensure Safe Drinking Water for All its Residents

Before the Joint Legislative Task Force on Drinking Water Infrastructure

Food & Water Watch

December 14, 2016

Thank you, Senators and Assembly members, for inviting me here today to testify about the substantial issues facing New Jersey's drinking water systems. I am testifying on behalf of Food & Water Watch, a nonprofit public interest organization that champions healthy food and clean water for all.

The needs of our state's drinking water systems are large and will continue to grow.

In New Jersey, as in other states, our water systems are aging and need of major improvements to help keep our tap water safe. The latest survey from the U.S. Environmental Protection Agency found that New Jersey's drinking water systems need about \$8 billion over the next two decades to keep our water safe and to comply with existing standards.

We need to replace water mains to prevent leaks and reduce the amount of water that is lost. We need to upgrade our treatment technologies and enhance the technical capacity of our water plants as we learn more about the contaminants in our water, such as PFOA. Because our climate is changing, our water utilities need to become climate resilient and prepare for rising sea levels and more hurricanes, droughts, floods and other extreme weather events.

New Jersey needs to get the lead out of our tap water. The water crisis in Flint brought much-needed national attention on the problem of lead in our drinking water. The science is clear: No amount of lead is safe. Lead is a dangerous neurotoxin that can harm every major system of the human body. Children and infants are especially vulnerable. On average, tap water makes up an estimated 10 to 20 percent of children's exposure to lead, but in certain cases, it can be the primary source of exposure.

The state made a great decision earlier this year to require regular testing of school tap water. The state should take additional steps to protect our kids. Currently, schools need to take action only if lead levels exceed the current federal action level. The federal lead-in-water rule is too weak and outdated to protect our children from lead. ***New Jersey needs to provide funding to replace infrastructure or install filters certified to remove lead on every school drinking fountain where lead is found in the water.***

New Jersey water utilities should begin working to remove all lead service lines. We need full service line replacement; partial line replacements cause more lead to leach into tap water. This means that utilities and the state need to work with property owners to ensure that the entire length of a lead service line is replaced. Because low-income homeowners cannot afford to cover the cost of replacing the part of the service line on their property, ***the state should provide grants to help low-income households replace lead service lines.***

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To avert a crisis in water accessibility, New Jersey needs to support city water affordability programs. As local governments raise water service charges to make necessary improvements, they are grappling with another serious challenge: water service affordability. Water service charges are increasingly unaffordable for more and more New Jersey residents. This problem becomes especially complex in this period of widening income inequality and reliance on regressive water billing practices, which cause low-income households to pay a disproportionate amount of their income on their water bills.

The consequences of unaffordable water bills are playing out in communities across the country: widespread water shutoffs. Many people are losing water service simply because they cannot afford to pay ever-increasing water rates.

At the local level, in large cities, initiatives to establish percentage-of-income billing for low-income households will help address unaffordable water bills. In 2015, the Philadelphia City Council passed the country's first ordinance to establish an income-based water affordability program, which is expected to greatly help prevent water shutoffs in the city. The state of New Jersey can help local governments here set up their own programs by providing state funds to offset the costs of the assistance.

Privatization will only exacerbate the affordability problems facing New Jersey residents. Private financing of infrastructure projects is significantly more expensive than government borrowing on the municipal bond market. On average among large water systems, investor owned utilities charge **79 percent more** than publicly owned utilities. This is largely due to corporate profit. Other factors that make private water costlier for customers include: executive compensation, corporate overhead, subsidies, financing costs, rights of way, and differences in rate-making and financing practices. Privatization is a false solution for New Jersey's infrastructure needs, and it would be irresponsible for state legislators to promote privatization of our local water systems.

New Jersey needs a Drinking Water Trust Fund. The state needs a comprehensive, long-term solution for our water infrastructure to provide dedicated funding that is protected from yearly political decisions. Funding for our drinking water infrastructure can come by eliminating the controversial business tax-incentive scheme Grow New Jersey, which is costing the state more than \$4 billion — more than half what New Jersey drinking water systems need over the next *20 years*.

Investing in our water infrastructure is a better use of state assistance and creates jobs statewide. According to a study by the Clean Water Council, every \$1 billion spent on water infrastructure can create between 20,000 and 27,000 jobs across the economy. So, instead of giving handouts to large corporations, the state can directly invest \$4 billion into water infrastructure and create 80,000 to 108,000 jobs. Investing in our water infrastructure also has substantial benefits for the health and wellbeing of our communities.

New Jersey needs to invest in our public drinking water systems to relieve overburdened municipal governments, create many good jobs and help ensure universal access to clean drinking water for generations to come.

Peterson, Matthew

From: Pane, Alyssa <Alyssa.Pane@dca.nj.gov>
Sent: Tuesday, December 13, 2016 9:18 AM
To: Peterson, Matthew
Subject: RE: Drinking Water Infrastructure Task Force hearing

**DEPARTMENT OF COMMUNITY AFFAIRS
DIVISION OF LOCAL GOVERNMENT SERVICES**

The role of the Division of Local Government Services (“Division”) concerning water supply is largely limited to the areas of budgeting and finance. Through its budget review function, the Division reviews and approves the budgets of those municipalities that have their own water and/or wastewater utilities, as well as the budgets of municipal utilities authorities and sewerage authorities. The Division has no role in, and does not review, water quality or the sufficiency of a local government’s public water or wastewater infrastructure.

The Division’s role with respect to financing is limited to review and approval of financing applications for and sales of local water assets. Pursuant to the New Jersey Infrastructure Trust Act (N.J.S.A. 58:11B-9), local government applications for environmental infrastructure project loans made by the Environmental Infrastructure Trust (EIT), or the State acting by and through the Department of Environmental Protection, are subject to the approval of the Division’s Director. Similarly, the Water and Wastewater Public-Private Contracting Acts (N.J.S.A. 58:26-19 et seq. and 58:27-19 et seq., respectively) charge the Local Finance Board with reviewing financial aspects of local government contracts with investor-owned utilities to operate and make capital improvements to public water/wastewater systems, as well as whether certain statutorily-required provisions are addressed in said contracts. Finally, the Division must approve a municipality’s use of any proceeds from the sale or long-term lease of water or wastewater assets under the Water Infrastructure Protection Act (N.J.S.A. 58:30-1 et seq.).

From: Peterson, Matthew [<mailto:MPeterson@njleg.org>]
Sent: Wednesday, December 07, 2016 5:07 PM
To: Pane, Alyssa
Subject: RE: Drinking Water Infrastructure Task Force hearing

Hi Alyssa,

Do you know if Mr. Cunningham will be sending anyone else from his office to address the task force? If not, the members have asked if Mr. Cunningham would be willing to submit a short statement describing the work of his office with regard to public water utilities.

Thanks,

Matt Peterson
Associate Counsel
Office of Legislative Services
P. O. Box 068
Trenton, New Jersey 08625-0068
Phone: (609) 847-3855
Email: MPeterson@njleg.org

From: Pane, Alyssa [<mailto:Alyssa.Pane@dca.nj.gov>]
Sent: Tuesday, December 06, 2016 11:11 AM

To: Peterson, Matthew
Subject: RE: Drinking Water Infrastructure Task Force hearing

Hi Matthew,

Unfortunately, Tim Cunningham will not be available because he has Local Finance Board, but appreciates the invitation.

Alyssa Pane

Executive Assistant to Timothy Cunningham, Director
Division of Local Government Services
101 South Broad Street
Trenton, NJ 08625

From: Peterson, Matthew [<mailto:MPeterson@njleg.org>]
Sent: Monday, December 05, 2016 5:26 PM
To: Pane, Alyssa; Martucci, Jason
Subject: Drinking Water Infrastructure Task Force hearing

Mr. Martucci,

Attached, please find an invitation to Mr. Cunningham to speak at the Drinking Water Infrastructure Task Force hearing on Wednesday, December 14, 2016. Please contact me about whether Mr. Cunningham or appropriate staff from the division are available to attend. We look forward to hearing from you.

Thank you for your time and consideration.

Sincerely,

Matt Peterson
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Office of Legislative Services
P. O. Box 068
Trenton, New Jersey 08625-0068
Phone: (609) 847-3855
Email: MPeterson@njleg.org

ADDITIONAL APPENDIX MATERIALS
SUBMITTED TO THE

JOINT LEGISLATIVE TASK FORCE
ON DRINKING WATER INFRASTRUCTURE

for the
December 14, 2016 Meeting

Senator Bob Smith, District 17:

Sean Monaghan, "Lead in Drinking Water: Are We Looking in the Right Places?" *New Jersey Lawyer*, October 2016, ©2016 New Jersey State Bar Association.

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