

# LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

## ASSEMBLY, No. 4623

### STATE OF NEW JERSEY 221st LEGISLATURE

DATED: JULY 3, 2024

#### SUMMARY

**Synopsis:** Concerns law protecting residential tenants from lead-based paint hazards.

**Type of Impact:** Annual State Expenditure Impact, Potential Annual State Revenue Decrease, Potential Annual Municipal Expenditure Impact.

**Agencies Affected:** Department of Community Affairs, Municipalities.

#### Office of Legislative Services Estimate

<b>Fiscal Impact</b>	<b><u>Annual</u></b>
<b>State Expenditure Impact</b>	Indeterminate
<b>Potential State Revenue Decrease</b>	Up to \$50 per seminar participant
<b>Municipal Expenditure Impact</b>	Indeterminate

- The Office of Legislative Services (OLS) concludes that the bill would result in increased annual administrative costs to the Department of Community Affairs. However, the department may also experience a reduction in annual costs as the bill removes a requirement for the department to review certain findings in accordance with a provision of the Lead Hazard Control Assistance Act. The net effect of these two countervailing outcomes cannot be ascertained.
- Municipalities may also experience indeterminate annual cost impacts due to the bill's additional requirement to inspect common areas for lead-based paint hazards, and the option for municipalities to perform lead inspections in-house through a local enforcing agency, by entering into a contract with lead evaluation contractor, or via explicitly permitted shared services agreement.
- The bill may also result in an annual State revenue decrease due to the removal of a provision that allows the department to charge a fee for participation in its educational program concerning lead-based paint hazards.

- The OLS also notes that the bill extends the deadline for certain rental units to be inspected for lead-based paint hazards from July 2024 to July 2025, which may defer some costs expected to be incurred by municipalities.

## **BILL DESCRIPTION**

This bill adds clarity to current law requiring inspections of certain residential rental properties for lead-based paint hazards. Additionally, the bill repeals a section of the Hotel and Multiple Dwelling Law that requires the Department of Community Affairs to inspect single-family and two-family rental dwellings for lead-based paint hazards.

This bill provides municipalities that maintain a local code enforcement agency the option of either conducting inspections in-house or hiring a certified lead evaluation contractor to perform the inspections. The bill would also allow any municipality to satisfy the lead-based paint inspection requirements through entry into a shared service agreement with another local unit.

This bill provides an exemption from lead-based paint inspection requirements for dwelling units in multiple-family buildings that have been registered as such with department for 10 or more years and have no outstanding lead-based paint violations from the two most recent Hotel and Multiple Dwelling Law cyclical inspections.

Under current law, if an inspection identifies a lead-based paint hazard within a dwelling unit, the inspector is required to notify the department, and it is required to review those findings for the purpose of determining whether the lead-based paint hazard warrants the removal and relocation of residents and provision of assistance. Current law does not specify or establish a funding mechanism for the department to provide this relocation assistance. The bill amends current law to only require a municipality to deliver to the department a list identifying each dwelling unit inspected, and each dwelling unit determined to contain a lead-based paint hazard. Additionally, the bill requires the department to submit an annual report to the Legislature indicating the number of inspected dwelling units identified to have lead-based paint hazards within each county.

The bill would take effect immediately upon adoption; however, the bill's provisions that authorize a municipal governing body to provide lead-based paint inspection services by contract or shared service agreement would apply retroactively to authorize an agreement entered into on or after July 22, 2022.

## **FISCAL ANALYSIS**

### ***EXECUTIVE BRANCH***

None received.

### ***OFFICE OF LEGISLATIVE SERVICES***

The OLS concludes that the bill would result in increased annual administrative costs to the Department of Community Affairs associated with preparing an annual report for the Legislature, indicating the number of inspected dwelling units identified to have lead-based paint hazards, and promulgating rules and regulations for the dissemination of information about the requirements for inspections of certain residential rental properties for lead-based paint hazards.

Additionally, the department may also experience a reduction in annual costs and revenues to the extent that it currently provides relocation assistance to tenants affected by lead hazards for cases referred to the department pursuant to current law as the bill removes a requirement for the department to review certain findings in accordance with a provision of the Lead Hazard Control Assistance Act. Under current law, when relocation assistance is authorized pursuant to the Lead Hazard Control Assistance Act, the department is required to provide relocation assistance to a tenant and may seek reimbursement from the owner of the rental property from which a tenant is removed. Moreover, the department is required to seek reimbursement from the rental property owner if a tenant has been removed from the property due to the owner's failure to maintain a lead-safe condition. In this circumstance, all relocation costs are required to be repaid by the owner of the rental property. If these costs are not repaid within 10 days of the due date, the law requires interest to accrue on the unpaid balance at a rate of 18 percent per annum until all costs are fully paid. Current law, however, does not specify or establish a funding mechanism for the department to provide this relocation assistance.

The bill may also result in a State revenue decrease due to the removal of a provision that allows the department to charge a fee for participation in its educational program concerning lead-based paint hazards. Current law allows the department to collect a seminar fee of up to \$50 per participant in the educational program. However, it is unclear whether it currently collects this fee as an educational webinar is available at no cost on its website.

The bill may also result in annual indeterminate cost impacts to municipalities to the extent that municipalities elect to enter into a contract or shared services agreement to provide for the inspection of rental units for lead-based paint hazards and to the extent that the bill's requirement to inspect common areas in certain residential rental buildings increases the cost of conducting an inspection. The OLS is unable to predict the extent to which municipalities will conduct inspections in-house through a local enforcing agency, by entering into a contract with a lead evaluation contractor, or via shared services agreement.

The OLS also notes that the bill extends the deadline for certain rental units to be inspected for lead-based paint hazards from July 2024 to July 2025, which would defer some costs expected to be incurred by municipalities.

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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.).