

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE COMMITTEE SUBSTITUTE FOR **SENATE, Nos. 611 and 874**

STATE OF NEW JERSEY

DATED: FEBRUARY 5, 2018

The Senate Budget and Appropriations Committee reports favorably Senate Bill Nos. 611 and 874 (SCS).

This bill clarifies the intent of P.L.2007, c.340 (C.26:2C-45 et al.) and, specifically, requires the State's full participation in the Regional Greenhouse Gas Initiative (RGGI).

This bill allows the Governor to withdraw the State from participation in RGGI if: (1) the Governor determines that it is not in the best interests of the State to continue to participate and sends written notice to the President of the Senate, the Speaker of the General Assembly, and the chairpersons of the Senate Environment and Energy Committee and the Assembly Environment and Solid Waste Committee, or their successors, of that determination and the reasons therefor, and (2) the Legislature adopts a concurrent resolution stating, in substance, that the Legislature concurs with the determination of the Governor.

On January 29, 2018, the Governor of New Jersey signed an executive order, which mandates that the New Jersey Department of Environmental Protection and Board of Public Utilities begin the process of reentering the State into RGGI; the State previously withdrew from the compact in 2012. The RGGI is a cooperative effort among the states of Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New York, Rhode Island, and Vermont to cap and reduce greenhouse gas emissions.

Pursuant to P.L.2007, c.340, an emissions auction and trading mechanism was established to reduce the level of greenhouse gas emissions, and in particular carbon dioxide. This law recognizes the State's participation in RGGI by setting forth the parameters to be followed for allowance auctions, creating the "Global Warming Solutions Fund," and statutorily dedicating all the proceeds received from the sale, exchange, or other conveyance of allowances through a greenhouse gas emissions allowance trading program to the fund.

FISCAL IMPACT:

The Office of Legislative Services (OLS) estimates that the bill will produce annual offsetting State revenue and expenditure increases of approximately \$30 million related to the sale of emission

allowances under the Regional Greenhouse Gas Initiative (RGGI); however, annual revenue collections can be expected to vary greatly, depending on fluctuations in market conditions.

When the State formerly participated in RGGI, it collected \$113.3 million in total proceeds from RGGI auctions held between December 2008 and December 2011. The OLS estimates that if the State had participated in RGGI in calendar year 2017, it would have collected approximately \$30 million.

The OLS also estimates that two additional fiscal impacts would materialize if participation in RGGI results in higher retail electricity rates: (1) an annual State revenue increase of up to \$2 million from the application of the sales and use tax to sales of higher-priced electricity; and (2) an indeterminate annual State and local government expenditure increase attributable to the purchase of higher-priced electricity.