

LEGISLATIVE FISCAL ESTIMATE
[Second Reprint]
SENATE, No. 2958
STATE OF NEW JERSEY
218th LEGISLATURE

DATED: JANUARY 16, 2020

SUMMARY

Synopsis: Establishes the “Energy Infrastructure Public-Private Partnership Act.”

Type of Impact: Annual State cost and revenue increases.

Agencies Affected: New Jersey Economic Development Authority

Office of Legislative Services Estimate

Fiscal Impact	<u>Before Energy-Related Projects Completed</u>	<u>After Energy-Related Projects Completed</u>
Annual EDA Cost Increase	Indeterminate	Indeterminate
Annual EDA Revenue Increase	-----	Indeterminate

- The Office of Legislative Services (OLS) finds that this bill will result in an indeterminate increase in annual Economic Development Authority (EDA) costs and revenues related to the establishment and operation of the Energy Public-Private Partnership Unit (Energy P3 Unit), with fee revenues lagging start-up and operating costs until projects are completed. The Energy P3 Unit will be responsible for formulating Statewide policy for energy-related public-private partnership (P3) projects between government and private entities and the coordination, oversight, and approval of these projects. Its activities may initially be funded from revenues received by the EDA from the Global Warming Solutions Fund until the time that energy projects are completed and the private entities are charged a fee for services rendered by the Energy P3 Unit.

BILL DESCRIPTION

This bill permits private entities to propose to government entities certain energy-related projects at government facilities through a public-private partnership (P3) agreement. The bill creates the Energy P3 Unit situated within the EDA that is responsible for the formulation and execution of a comprehensive Statewide policy for P3 agreements that facilitate the development

of energy-related projects and for the development, promotion, coordination, oversight, and approval of P3 agreements for energy-related projects. The bill provides that the Energy P3 Unit is to consult and coordinate with representatives of other State departments, agencies, boards, and authorities to accomplish the goals of the bill and facilitate P3 agreements.

The bill provides criteria by which a governmental entity is to award an energy-related project to a private entity whose proposal is determined to be the most advantageous to the government entity. The bill prescribes competitive contracting procedures to govern energy-related project P3 agreements, including procurements and prevailing wage requirements for workers engaged in construction activities and other worker protections, and provides necessary oversight authority to the Energy P3 Unit to protect the interests of participating governmental entities. The bill permits the inclusion of a project labor agreement in all energy-related projects created pursuant to the bill's provisions. The bill also requires a report concerning energy-related P3 projects to be submitted to the Governor and to the Legislature.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS finds that this bill will result in indeterminate annual cost and revenue increases to the EDA related to the establishment and operations of the Energy P3 Unit, with fee revenues lagging the unit's start-up and operating costs until projects are completed. The broad scope of administrative responsibilities imposed on the Energy P3 Unit will likely require notable professional staffing or extensive use of private consultants, including legal services, various P3 management professionals, professionals with experience in various forms of energy production and energy facility management, and professionals experienced in government program management and policy development. Funding for these operations from the Global Warming Solutions Fund is authorized under this bill and may support the establishment and activities of the unit until such a time when energy-related projects are completed and the private partners are charged a fee for services provided by the Energy P3 Unit or its consultants.

These private entities will be charged a flat fee or a percentage fee based on the total cost of a completed energy-related project, not to exceed 3 percent of that total cost. The amount and timing of these revenues is somewhat uncertain since fees will not be received until the project is completed, which could be years following the effective date of this bill. The bill, however, does give the Energy P3 Unit the authority to establish standard project development or project review fees for projects that are not completed so that the unit is compensated for serviced rendered even if the project does not come to fruition. The extent of these revenues and the expenditures incurred by the unit will ultimately be a function of the amount of P3 activity that emerges in the State.

Section: Authorities, Utilities, Transportation and Communications

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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.).