

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

ASSEMBLY, No. 1976
STATE OF NEW JERSEY
219th LEGISLATURE

DATED: MARCH 17, 2021

SUMMARY

- Synopsis:** Establishes Renewable and Efficient Energy Financing Program; authorizes BPU to transfer up to \$20 million annually in societal benefits charge revenues to New Jersey Infrastructure Bank for purposes of program.
- Type of Impact:** Annual increase in State and local expenditures.
- Agencies Affected:** Board of Public Utilities; New Jersey Infrastructure Bank; certain State entities, local units, and school districts.

Office of Legislative Services Estimate

Fiscal Impact	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
State Expenditure Increase		Indeterminate	
Local Expenditure Increase		Indeterminate	

- The Office of Legislative Services (OLS) determines that the bill may result in a marginal increase in administrative expenditures to certain State entities, local units, and school districts. The bill authorizes State entities, local units, and school districts to apply for financial assistance under the program and requires the applicant to perform an energy efficiency assessment of the buildings or other property owned or operated by the applicant. The OLS notes that this bill would only increase the expenditures for those State entities, local units, and school districts that are interested in: 1) energy efficiency improvements and 2) applying for a loan under this program.
- The OLS determines that the bill may result in a marginal increase in administrative expenditures to the Board of Public Utilities (BPU) and the New Jersey Infrastructure Bank (NJIB). The BPU, in consultation with the NJIB, would be required to develop a priority system for energy improvement projects and establish ranking criteria and funding policies for the energy efficiency improvement projects to be funded under the program. The BPU would be required to set forth a program project priority list for funding each fiscal year.

BILL DESCRIPTION

This bill would establish the Renewable and Efficient Energy Financing (REEF) program in the NJIB. The purpose of the REEF program would be to provide loans and other forms of financial assistance, as the NJIB deems appropriate, to State entities, local units, and school districts to finance cost-effective energy efficiency improvements in buildings and other property owned or operated by the State entities, local units, or school districts. The NJIB would also be authorized to provide loans and other financial assistance directly to a private entity for an energy efficiency improvement project sponsored and guaranteed by a local unit.

A State entity, local unit, or school district seeking financial assistance under the REEF program would be required to apply to the BPU in a form and manner determined by the BPU. The BPU, in consultation with the NJIB, would develop criteria for the approval or disapproval of applications. As part of the application process, an applicant would be required to perform an energy efficiency assessment of the buildings or other property owned or operated by the applicant. The assessment would identify the energy efficiency improvements that could be installed and operated in the buildings or other property at a total cost that is less than the energy cost savings, in the form of lower energy bills, realized by the applicant over the lesser of a 10-year period or the useful life of the energy efficiency improvement.

Upon approval of an application, subject to the availability of funds, the NJIB would make loans or other forms of financial assistance to the applicant to finance all or a portion of the cost of the energy efficiency improvements identified in the assessment. The loans and other forms of financial assistance would be made subject to terms and conditions determined by the NJIB. The installation or contract for the installation of the energy efficiency improvements would be required to address provisions concerning payment schedules, monitoring, inspection, measuring, and warranties as are necessary to ensure that the energy efficiency improvements installed and operated in the building or other property are cost-effective.

The bill establishes in the NJIB a special, nonlapsing fund to be known as the Renewable and Efficient Energy Financing Fund. Monies in the fund would be used by the NJIB to make loans and other financial assistance under the bill, and for administration of the REEF program. The fund would be credited with: (1) moneys obtained from the payment of principal and interest on loans made under the bill; (2) moneys transferred to the NJIB from the BPU under the bill; (3) any other moneys appropriated by the Legislature or made available to the NJIB for the purposes of the bill; and (4) any interest earnings or other investment income earned or received on the moneys in the fund.

Under the bill, in the State fiscal year commencing July 1 next following the date of enactment of the bill into law and each year thereafter, the BPU would be required to transfer to the NJIB up to \$20 million from available balances accumulated in accounts of the BPU from funds collected through the societal benefits charge (established by the “Electric Discount and Energy Competition Act”) for the purposes of the REEF program. The BPU and the NJIB would be authorized to enter into any contract deemed necessary to implement the payment arrangement between the two entities.

The BPU, in consultation with the NJIB, would be required to develop a priority system for energy improvement projects and establish ranking criteria and funding policies for the energy efficiency improvement projects to be funded under the program. The BPU would be required to set forth a “Renewable and Efficient Energy Financing Program Project Priority List” for funding by the NJIB each fiscal year. Finally, the BPU and the NJIB would be required to submit an annual report to the Governor and the Legislature on the effectiveness of the program in promoting energy efficiency and energy cost savings for State entities, local units, and school districts.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS estimates that the bill may result in a marginal increase in State entities, local units, and school districts expenditures. The bill imposes additional administrative tasks on certain State entities, local units, and school districts. For example, the bill authorizes State entities, local units, and school districts to apply to the BPU for financial assistance under the REEF program and requires the applicant to perform an energy efficiency assessment of the buildings or other property owned or operated by the applicant. The OLS notes that this bill would only increase the expenditures for those State entities, local units, and school districts that are interested in: 1) energy efficiency improvements and 2) applying for a loan under this program.

The OLS determines that the bill may result in a marginal increase in administrative expenditures to the BPU and NJIB. The BPU, in consultation with the NJIB, would be required to develop a priority system for energy improvement projects and establish ranking criteria and funding policies for the energy efficiency improvement projects to be funded under the program. The BPU would be required to set forth a “Renewable and Efficient Energy Financing Program Project Priority List” for funding by the NJIB each fiscal year. The NJIB would be responsible to reviewing applications for the REEF program, and providing loans and other forms of financial assistance, that are subject to terms and conditions determined by the NJIB. Finally, the BPU and the NJIB would be required to submit an annual report to the Governor and the Legislature on the effectiveness of the program in promoting energy efficiency and energy cost savings for State entities, local units, and school districts. The OLS determines that these duties could be subsumed within existing staff duties.

Section: Environment, Agriculture, Energy, and Natural Resources

*Analyst: Neha Patel
Senior Analyst*

*Approved: Thomas Koenig
Legislative Budget and Finance Officer*

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.).