

LEGISLATIVE FISCAL ESTIMATE

[Third Reprint]

SENATE, No. 3033

STATE OF NEW JERSEY  
219th LEGISLATURE

DATED: MAY 25, 2021

SUMMARY

- Synopsis:** Establishes School and Small Business Energy Efficiency Stimulus Program in BPU.
- Type of Impact:** Potential expenditure increase to State General Fund and local governments; Potential increase in societal benefits charge to fund program established by the bill.
- Agencies Affected:** Board of Public Utilities; State and Local Governments.

Office of Legislative Services Estimate

Fiscal Impact	<u>Annual</u>
State Expenditure Increase	Indeterminate
Local Expenditure Increase	Indeterminate

- The Office of Legislative Services (OLS) cannot determine whether the bill will have a positive or negative net fiscal impact on the State and its local governments. The inability to determine the direction and magnitude of the fiscal impact is rooted in imperfect information on the number and attributes of the school district projects and minority and woman-owned small business projects that would be eligible for and receive grants under the School and Small Business Energy Efficiency Stimulus (SSBEES) Program established by the bill.
- The source of funding for the SSBEES Program would be the societal benefits charge (SBC). The SBC is a monthly charge to corporate electric and gas utility customers based on usage by those utility customers. The Board of Public Utilities (BPU) determines the amount of the charge based on the BPU’s annual estimated budget needs to fund the various State clean energy and low-income residential bill payment assistance programs funded by the SBC. The costs of the SSBEES Program may result in the BPU increasing the amount of the SBC or reducing funding for other SBC financed programs to meet the amount of the grants awarded under this program and the various State clean energy and assistance programs funded by the SBC.

- As utility ratepayers, State government and county and municipal governments may be subject to higher utility costs if the BPU increases the dollar amount of the SBC in order to fund the SSBEES Program and the boards of education and small businesses receiving program benefits.

## **BILL DESCRIPTION**

This bill establishes the School and Small Business Energy Efficiency Stimulus Program (program) in the Board of Public Utilities (BPU). “Small business” is defined in the bill as concerning women and minority-owned small businesses. The purpose of the program is to ensure that school and small business heating, ventilation, and air conditioning (HVAC) systems are upgraded to safely prepare schools and small businesses for operating during the coronavirus 2019 pandemic, to improve the general health and safety of the school and small business environment, and to create jobs across the State. The program will also fund the upgrading of old, inefficient plumbing fixtures that waste water and energy.

The bill provides that the program is to consist of two sub-programs:

- 1) the School and Small Business Ventilation and Energy Efficiency Verification and Repair (SSBVEEVR) Program; and
- 2) the School and Small Business Noncompliant Plumbing Fixture and Appliance (SSBNPFA) Program.

The bill provides that not less than 25 percent of projects funded by the SSBVEEVR Program or SSBNPFA Program are to be in schools and small businesses located in underserved communities, as defined in the bill. The SSBVEEVR Program and SSBNPFA Program are to prioritize underserved communities by ensuring that all schools and small businesses that are in an underserved community are offered the opportunity to apply for and receive grants before those schools and small businesses that are not in an underserved community.

The bill provides that the BPU is to begin to solicit applications from boards of education and small businesses for grants on or before July 1, 2021 and begin to approve applications for grants no later than August 1, 2021, subject to the availability of funds. The bill provides that the program is to be funded by monies collected from the societal benefits charge, pursuant to law, and that 75 percent of those funds are to be used for the SSBVEEVR Program while the remaining 25 percent of funds are to be used for the SSBNPFA Program.

The bill requires the BPU to establish and administer the SSBVEEVR Program to award grants to boards of education and small businesses to ensure schools and small businesses are to have functional HVAC systems that are tested, adjusted, and, if necessary or cost effective, repaired, upgraded, or replaced to increase efficiency and performance. A board of education or small business may apply for a grant by submitting an application to the BPU, in a form and manner determined by the BPU, for reasonable costs of the HVAC system assessment, assessment report, general maintenance, adjustment of ventilation rates, filter replacement, and carbon dioxide monitor installation. The bill also establishes standards for qualified testing and adjusting personnel under the SSBVEEVR Program.

The BPU is to award a grant if the amount requested in the application is verified by a licensed mechanical engineer’s estimate and the board of education and small business meet other requirements determined by the BPU to be appropriate to achieve the purposes of the bill. A grant is to be awarded in the amount requested plus an additional 20 percent of the requested amount for repairs, upgrades, or replacements necessary to make the system functional or more energy efficient. If a licensed mechanical engineer identifies cost-effective energy efficiency upgrades or repairs that would exceed the additional 20 percent awarded, a board of education and small

business may apply for additional funding for the cost-effective energy efficiency upgrades or repairs.

The bill allows for the BPU to award a grant for reimbursement of work already performed where the work was contracted and performed after August 1, 2020, and meets the requirements of the bill, and the board of education and small business meet other requirements determined by the BPU to be appropriate to achieve the purposes the bill. The bill further provides that as a condition for receiving a grant, a board of education and small business are to comply with the requirements of the bill for all air-handling units, rooftop units, and unitary and single zone equipment in the schools' or small business' HVAC system or systems. The HVAC systems installed pursuant to the bill are to meet ANSI/ASHRAE Standard 62.1-2010, Ventilation for Acceptable Indoor Air Quality and shall have a licensed mechanical engineer perform certain tasks enumerated in the bill. The HVAC requirements for filtration levels, ventilation rates, and ventilation schedules may be amended by the BPU based on the latest coronavirus 2019, or other applicable, guidance.

To ensure proper ventilation is maintained in school buildings throughout the school year, the bill provides that all classrooms are to be equipped with a carbon dioxide monitor that meets requirements determined by the BPU. If a classroom carbon dioxide concentration exceeds 1,100 parts per million more than once a week as observed by the teacher or the facilities staff, the classroom ventilation rates are to be adjusted by a licensed mechanical engineer to ensure peak carbon dioxide concentrations in the classroom remain below the maximum allowable carbon dioxide parts per million set point.

The bill provides that a licensed mechanical engineer is to determine what, if any, additional adjustments or repairs would be necessary to meet the minimum ventilation and filtration requirements determine whether any further cost-effective energy efficiency upgrades or replacements are warranted or recommended, and provide an estimated cost for this work. If the cost of recommended repairs, upgrades, or replacements are greater than the contingency amount provided in the grant, then the licensed mechanical engineer and the board of education or small business are to submit an application for additional funding.

The bill requires that, upon completion of all work funded by a grant made pursuant to the bill, the board of education and small business are to prepare an HVAC verification report. The HVAC verification report is to include information enumerated in the bill and a copy of the report is to be maintained by the board of education and made available to any member of the public or the BPU upon request.

The bill requires the BPU to establish and administer the SSBNPFA Program to provide grants to boards of education and small businesses to replace noncompliant plumbing fixtures and appliances that fail to meet water efficiency standards and waste potable water and the energy used to convey that water, with water-conserving plumbing fixtures and appliances, as those terms are defined in the bill. The BPU is to award a grant if a board of education or small business submits documents showing the existence of noncompliant plumbing fixtures or appliances in the schools or small business for which the grant funding will be used and a cost estimate that is verified by a contractor for the replacement of the noncompliant plumbing fixtures and appliances with water-conserving plumbing fixtures and water-conserving appliances, and the board of education and small business meet other requirements determined by the BPU to be appropriate to achieve the purposes of the bill.

The bill includes additional defined terms, establishes standards for qualified testing and adjusting personnel to follow under the SSBVEEVR Program, and confirms that certain costs associated with compliance under the SSBVEEVR Program are to automatically be covered by the grant award.

## FISCAL ANALYSIS

### *EXECUTIVE BRANCH*

None received.

### *OFFICE OF LEGISLATIVE SERVICES*

The OLS cannot determine whether the bill will have a positive or negative net fiscal impact on the State and its local governments. The inability to determine the direction and magnitude of the fiscal impact is rooted in imperfect information on the number and attributes of the school district projects and minority and woman-owned small business projects that would be eligible for and receive grants under the SSBEES Program established by the bill. The boards of education that may be eligible for grants under the SSBEES Program cannot be determined due to the lack of information on which boards of education and minority or woman-owned small businesses will ultimately qualify for grant funding under the SSBEES Program and also will seek assistance under the SSBEES Program.

**Indeterminate State Expenditure Increase:** The source of funding for the SSBEES Program would be the SBC. The SBC is a monthly charge to corporate electric and gas utility customers based on electric per kilowatt hour (KWH) and natural gas per British thermal unit (BTU) usage by those utility customers. The BPU determines the dollar amount of the charge per KWH and per BTU, based on the BPU's annual estimated budget needs to fund the various State clean energy and low-income residential bill payment assistance programs of which the SBC is the sole or is a major funding source. The dollar amount of the SBC depends on the amount of SBC revenues collected and used for these energy and assistance programs. As an additional funding source for the SBC, the costs of the SSBEES Program may result in the BPU increasing the amount of the SBC to meet the amount of the grants awarded under the SSBEES Program and the various State energy and programs funded by the SBC. Given the economic disruptions and increase in unemployment levels in the State caused by the coronavirus 2019 pandemic, it is expected that there will be an increase in the number of State residential utility customers who will seek utility bill payment assistance after the utility shutoff moratorium expires. The effect of increased numbers of utility customers seeking bill payment assistance could result in the BPU increasing the SBC amount, even without the SSBEES Program. To the extent that the State budget relies upon the use of SBC revenues through the clean energy fund to offset certain State General Fund costs, additional programs that increase demands on SBC resources could indirectly result in less SBC funding availability for programs such as the clean energy fund, increasing State costs to be borne by the State General Fund, if the BPU decides to meet increased demand for SBC funding through reallocation of revenues rather than fully meeting increased demand through rate increases.

**Indeterminate State and Local Expenditure Increase:** As utility ratepayers, State government and county and municipal governments may be subject to higher utility costs if the BPU increases the dollar amount of the SBC in order to fund the SSBEES Program and the boards of education and small businesses receiving program benefits.

**Other Possible Financial Considerations:** Although the effect of the bill could lead to an increase in the number of jobs created or retained within the HVAC and plumbing industry sectors due to

increased demand for work as contemplated in the bill, those industry and job benefits would result in indirect increases in State revenues through incomes, sales, and business tax revenue.

The school projects funded under the SSBEES Program that would have been built absent this new program likely represent a shift of costs from local governments to the SBC.

Pursuant to State law, as a condition of receiving financial assistance from the BPU, workers engaged in HVAC and plumbing construction work are to be paid a prevailing wage by an eligible board of education or small business receiving a grant under the SSBEES Program, thus resulting in the possibility of high grant award amounts for these labor costs to eligible boards of education and small businesses in order to meet the HVAC and plumbing system requirements in the bill. Provisions that increase cost from limited SBC funds can have the impact of limiting the number of projects that will be funded under the SSBEES Program, or possibly limiting assistance available under other assistance programs funded through the SBC.

*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.).