

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

[First Reprint]

SENATE, No. 419

STATE OF NEW JERSEY

DATED: JUNE 27, 2023

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 419 (1R).

This bill would establish the Renewable and Efficient Energy Financing (REEF) program in the New Jersey Infrastructure Bank (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 Board of Public Utilities (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 next the State fiscal year after the bill's enactment 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 (a surcharge imposed on all electric and gas public utility customers in the State) 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 IMPACT:

The Office of Legislative Services (OLS) estimates that the bill would result in an annual State expenditure increase of up to \$20 million to fund energy efficiency improvement projects under the new Renewable and Efficient Energy Financing (REEF) Program.

Local units and school districts that receive REEF Program funds would experience a revenue increase and a corresponding expenditure increase for the projects. The local units and school districts may also incur additional expenditures to perform energy efficiency assessments of their buildings and other property.

The fiscal impacts could exceed \$20 million per year if the REEF Program were to provide the financial assistance as non-forgivable loans. In that event, loan interest and repayment amounts would become an additional source of financing for the program that would increase the estimated fiscal impacts accordingly. The OLS, however, has no substantiated information on the types of financial assistance that would be awarded under the program.