

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

ASSEMBLY, No. 3969

STATE OF NEW JERSEY
222nd LEGISLATURE

DATED: SEPTEMBER 21, 2026

SUMMARY

- Synopsis:

Increases solar development goals of SREC-II program and extends certain targets of program to 2035.
- Type of Impact:

Annual increase in State and local government costs.
Annual increase in State revenues.
- Agencies Affected:

All State and local government entities.
Board of Public Utilities.
Department of Environmental Protection.

Office of Legislative Services Estimate

Fiscal Impact	Calendar Years 2027-2049
State Expenditure Increase	\$424.4 million to \$608.3 million
State Revenue Increase	\$659.3 million to \$944.9 million
Local Expenditure Increase	\$622.8 million to \$892.7 million

- The Office of Legislative Services (OLS) estimates that the bill will result in an increase in annual State and local government costs of \$45.5 million to \$66.3 million from 2027 through 2049. State and local governments would incur additional costs of approximately \$1.0 billion to \$1.5 billion during that 23-year period.
- The bill requires the development of at least 6,000 to 8,600 megawatts of new solar power generation in calendar years 2027 through 2034. This estimate assumes that the SREC-II program is not extended beyond 2034, and that the Board of Public Utilities does not increase the solar power generation goals under the program.
- Increases in State and local expenditures would occur because electric public utilities are required to procure the SREC-II credits generated under the program, which costs would be recovered from utility customers. The OLS projects that the non-weighted average price of a SREC-II will be about \$90 per megawatt. The OLS cannot predict whether the board will modify SREC-II prices during the eight-year period.



- The OLS finds that the additional State costs would be at least partially offset by a combination of: (1) additional sales and use tax revenue from increases in the price of electricity and (2) the deposit into the Preserve New Jersey Account of one percent of renewable energy incentive payments received by solar electric power generation facilities.

BILL DESCRIPTION

This bill establishes a revised goal of incentivizing the development of at least 750 megawatts per year of new residential, commercial, industrial, and grid-scale solar power generation by 2035 under the SREC-II program. Under current law, the program's goal is to incentivize the development of at least 3,750 megawatts of new solar power generation by 2026. The bill allows the board to extend the duration of the program or increase the solar power generation goal of the SREC-II program as necessary to conform to the State's solar energy policies.

The SREC-II program includes a small solar facilities incentive program. The small solar facilities incentive program awards SREC-IIs to community solar facilities, solar facilities less than five megawatts in size that participate in the net metering program established under current law, and net metered solar facilities less than five megawatts in size. The goal of the small solar facilities incentive program is to incentivize the development of at least 1,500 megawatts of net-metered solar facilities and 750 megawatts of community solar facilities by 2026.

The bill expands the goals of the small solar facilities incentive program to provide, for the duration of the SREC-II program, SREC-IIs for the generation of at least 300 megawatts of net-metered solar facilities per year, 3,000 megawatts of community solar facilities between October 1, 2025, and December 31, 2029, and at least 150 megawatts of community solar facilities per year thereafter, and 50 megawatts of solar facilities in the remote net metering program.

The SREC-II program also includes a competitive solar incentive program that awards SREC-II credits to net metered solar facilities greater than five megawatts in size and to grid supply solar facilities. The goal of the competitive solicitation process is to incentivize the construction of at least 1,500 megawatts of these types of solar facilities by 2026. The board is required to conduct a solicitation round at least every 18 months until at least January 1, 2026. The bill extends the minimum duration of the competitive solicitation process from 2026 to 2035 and allows the process to continue for the duration of the SREC-II program. The bill also modifies the SREC-II program's competitive solicitation process by permitting the board to establish cost containment measures when conducting a competitive solicitation.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

State and Local Government Costs

The OLS estimates that the bill will increase total State and local government costs by approximately \$1.0 billion to \$1.5 billion, over a period of 23 years from 2027 through 2049. The OLS estimates that the State would incur additional annual costs of \$18.5 million to \$26.4 million,

or roughly \$424.4 million to \$608.3 million, in total, over the 23-year period. Local governments, including counties, municipalities, and school districts, would incur additional annual costs of \$27.1 million to \$38.8 million, or roughly \$622.8 million to \$892.7 million over the 23-year period. The additional State costs would be at least partially offset by a combination of additional sales and use tax revenue from increases in the price of electricity and the deposit into the Preserve New Jersey Account of one percent of renewable energy incentive payments received by solar electric power generation facilities.

Under the program, solar energy projects generally have an incentive term of 15 years, meaning that SREC-II credits are issued, on a dollar per megawatt basis, for 15 years following the commencement of operation. The bill requires the development of at least 750 megawatts per year until 2035. Thus, a solar energy project that receives SREC-IIs beginning in 2034 would continue to receive SREC-II credits through 2049. This estimate assumes that the SREC-II program is not extended beyond 2034, that the board does not increase the solar power generation goals under the program, and that the bill results in the development of 6,000 to 8,600 megawatts of new solar power generation from 2027 through 2034. All these factors will affect the actual costs incurred by the State and local governments under the bill. For example, if the board extends the duration of the program, then the development of additional solar power generation will be required, and the State and local governments will incur additional costs over a period that extends beyond 2049. Alternatively, the State and local governments would incur a lower amount of additional costs if the solar power development goals under the bill are not achieved.

The OLS estimates that the bill will require the development of 6,000 to 8,600 megawatts of new solar power generation from 2027 through 2034, a period of eight years. The bill requires the development of at least 750 megawatts per year of new solar power generation, or 6,000 megawatts over the eight-year period. However, the bill also requires the development of: (1) 300 megawatts of net-metered solar facilities per year, totaling 2,400 megawatts over the eight year period; (2) 3,000 megawatts of community solar facilities between October 1, 2025 and December 31, 2029; (3) at least 150 megawatts of community solar facilities per year from 2030 through 2034, totaling 750 megawatts over a five-year period; (4) 50 megawatts of solar facilities through the remote net metering program; and (5) an average of 300 megawatts per of solar power generation through the competitive solicitation process, totaling 2,400 megawatts over the eight-year period. Taken together, the bill requires the development of up to 8,600 megawatts of new solar power generation from 2027 through 2034.

The OLS projects that the development of 6,000 to 8,600 megawatts of new solar power will result in the generation of SREC-II credits for 122.2 million to 175.2 million megawatts of energy over the 15-year incentive period for all projects. Increases in State and local expenditures would occur due to the requirement for electric public utilities to procure the SREC-II credits generated from the development of solar power under the program, which costs would be recovered from utility customers. Using information available through the board, the OLS estimates that the non-weighted average price of an SREC-II will be about \$90 per megawatt. To calculate the total cost of the additional SREC-II credits under the bill to all ratepayers, the OLS multiplied the non-weighted average price of an SREC-II by the estimated amount of megawatts of energy to be generated by the new solar power developments, for a total cost of about \$11.0 billion to \$15.8 billion.

There is no readily available data on the total amount of energy consumed by State and local government-owned buildings in New Jersey. The most recent Commercial Building Energy Consumption Survey conducted by the U.S. Energy Information Administration indicates that buildings owned by state governments consumed about 7.7 percent of all electricity consumed by U.S. commercial buildings while buildings owned by local governments consumed about 11.3 percent of that total. According to the most recent Energy Information Administration state energy

profile of New Jersey, the commercial sector accounted for half of electricity use in the State. Therefore, the OLS estimates that buildings owned by the State consumed about 3.9 percent of all electricity consumed in New Jersey and that buildings owned by local governments consumed about 5.7 percent of all electricity consumed in New Jersey. Stated differently, the OLS assumes that approximately 3.9 percent of the costs borne by electric public utilities in procuring SREC-II credits will be passed on to the State, whereas 5.7 percent of these costs will be passed on to local governments in the State.

State Revenues

The OLS projects that the bill will result in additional annual State sales tax collections of up to \$28.7 million to \$41.1 million. The OLS expects the bill to result in a net increase in the price of electricity in the State for all customers. The OLS estimates that non-governmental electricity ratepayers would incur additional annual costs of \$432.7 million to \$620.1 million per year. Applying the State sales tax rate of 6.625 percent to these amounts yields additional annual State revenues of \$28.7 million to \$41.1 million. The OLS notes that the actual State revenue gain is likely to be lower because there are non-governmental electricity ratepayers, such as charitable organizations and religious institutions, that are exempt from paying sales and use tax. State sales and use tax revenues are deposited into the General Fund and Property Tax Relief Fund.

The bill may also result in an indeterminate State revenue increase to the Preserve New Jersey Fund Account in the General Fund. Current law requires solar electric power generation facilities to provide an annual remuneration of one percent of the renewable energy incentive payments they receive to the account. The amount of additional revenues deposited into the Preserve New Jersey Account will be driven by the value of any renewable energy incentive payment received by solar electric power generation facilities and whether any cost containment measures are adopted by the board. Revenues deposited into the Preserve New Jersey Account are dedicated for open space, farmland, and historic preservation programs.

The OLS finds that the additional revenues resulting from the bill would at least partially offset the additional costs incurred by the State.

Section: Revenue, Finance, and Appropriations
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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.).