

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE COMMITTEE SUBSTITUTE FOR **SENATE, No. 2338**

with committee amendments

STATE OF NEW JERSEY

DATED: JUNE 28, 2026

The Senate Budget and Appropriations Committee reports favorably and with committee amendments Senate Bill No. 2338 SCS.

As amended, this bill, to be known as the “Polluters Pay to Make New Jersey More Affordable Act,” would establish a program in the Department of Environmental Protection (DEP) to collect cost recovery payments from certain entities, based on the amount of greenhouse gas emissions for which the entities are responsible. The total amount of the payments would be set by the bill at \$50 billion, and funds from the payments would be used to finance climate change adaptation projects.

Specifically, the bill would apply to “responsible parties.” The bill would define “responsible party” as an entity or a successor in interest to an entity that, between January 1, 1995 and December 31, 2024, was engaged in the business of extracting fossil fuel and to which more than one billion metric tons of covered greenhouse gas emissions are attributable during that period. The bill would require DEP to develop an assessment of the covered greenhouse gas emissions attributable to each responsible party and to submit it to the Legislature within six months after the bill’s enactment.

The bill would establish the Climate Adaptation, Resiliency, and Affordability Program (CARA program) in the DEP. Under the CARA program, the DEP would issue cost recovery demands to the companies it found to be responsible parties, in an amount that is proportional to the greenhouse gas emissions covered under the bill that are attributable to the responsible party. The bill would authorize responsible parties to pay cost recovery payments in annual installments over a 20-year period. The bill would also require the DEP to establish a process by which a responsible party may file a request for reconsideration of its cost recovery demand, and section 6 of the bill would establish various provisions governing this reconsideration process.

Under the bill, cost recovery payments would be deposited into a newly created fund in the Department of the Treasury, to be known as the Climate Adaptation, Resiliency, and Affordability Fund (CARA

fund). The bill would establish the New Jersey Climate Adaptation, Resiliency, and Affordability Trust (trust), located in, but not of, the Department of the Treasury. The trust would be composed of a combination of ex officio members of State government and members of the public appointed by the Governor, Senate President, and Assembly Speaker. The purpose of the trust would be to oversee the disbursement of moneys from the CARA fund, similar to the role of the Garden State Preservation Trust with respect to constitutionally dedicated corporation business tax revenues. The trust would also be tasked with developing a Climate Adaptation Master Plan, which provides a strategy for the State to respond to the deleterious effects of climate change on a 20-year time horizon.

Moneys in the CARA fund would be annually distributed into separate sub-funds located in other State agencies, as enumerated in section 11 of the bill. The Department of Transportation, Board of Public Utilities, DEP, Department of Health, Department of Education, Department of Agriculture, Department of Community Affairs, and Department of Labor and Workforce Development would be required to submit, twice per year, a list of climate change adaptation projects that each agency recommends to receive funding. The trust would review the recommendations and submit a list of projects to the Legislature each year. The Legislature and Governor would then approve an annual appropriations act authorizing the expenditure of moneys on the climate change adaptation projects.

Under the bill, climate change adaptation projects could include:

- (1) flood protection projects;
- (2) home buyouts;
- (3) upgrades of stormwater drainage systems;
- (4) defensive upgrades to roads, bridges, railroads, and transit systems;
- (5) preparation for, and recovery from, extreme weather events;
- (6) preventive health care programs and providing physical or mental care to treat illness or injury caused by the effects of climate change;
- (7) relocation, elevation, or retrofits of sewage treatment plants and other infrastructure vulnerable to flooding;
- (8) outdoor tree planting;
- (9) upgrades and retrofits in public and private buildings, such as schools and public, affordable, and workforce housing, including, but not limited to, energy-efficient cooling and ventilation systems designed to address more frequent heat waves and wildfire smoke;
- (10) distributed renewables and energy storage to improve resiliency;
- (11) improvements to energy and grid infrastructure that enhance reliability and resilience or reduce system vulnerabilities and peak load;

(12) projects to respond to toxic algae blooms, loss of agricultural topsoil, crop loss, food insecurity, and other climate-driven ecosystem threats to clean water, safe and plentiful drinking water, wetlands, forests, farms, fisheries, and food systems, including community food resilience and emergency food distribution capacity; and

(13) workforce development programs necessary to implement other climate change adaptation projects, including apprenticeship, pre-apprenticeship, and training programs.

Section 12 of the bill would establish certain project labor standards that public entities would be required to apply when considering and issuing permits, licenses, regulations, contracts, or other administrative approvals and decisions necessary for the implementation of projects funded in whole, or in part, through the CARA fund. For example, for any construction, building service, or maintenance work, all employees of any contractors or subcontractors would be required to be paid the prevailing wage. Finally, the bill would require the DEP, in conjunction with the Attorney General and the trust, to publish semiannual evaluations of the CARA program beginning in the second calendar year after the bill is enacted.

COMMITTEE AMENDMENTS:

The committee amendments to the bill:

(1) make minor revisions to the findings and declarations section;

(2) modify the definitions of “labor harmony agreement” and “responsible party”;

(3) delete a provision that would have required 12.5 percent of moneys in the CARA fund to be transferred to the “Transportation Trust Fund Account,” and instead require that money to be transferred to the “Resilient Transportation and NJ Transit Fund” created under the bill;

(4) require 50 percent of the grant funds distributed by the Department of Transportation under the CARA program to be used to support public transportation projects in collaboration with the New Jersey Transit Corporation;

(5) require 50 percent of the grant funds distributed by the Department of Agriculture under the CARA program to be used to support projects aimed at reducing food insecurity and promoting resiliency in food distribution;

(6) authorize, rather than require, projects that receive at least \$5 million from the CARA fund to utilize project labor agreements;

(7) provide that grant applicants whose grant is rejected because it does not comply with the labor-related requirements of the bill may resubmit an application, within a timeframe to be determined by the trust;

(8) clarify that the provisions of the bill do not authorize any State agency to regulate energy production;

- (9) revise the reporting requirements of the bill, including requiring reports twice per year, and requiring information concerning the total or estimated number of direct jobs created and total wages paid to date under the CARA program to be included in the report; and
- (10) make technical and clarifying changes.

FISCAL IMPACT:

The Office of Legislative Services (OLS) lacks the empirical basis to quantify the State revenue and expenditure increases that may result from the establishment of the bill's Climate Adaptation, Resiliency, and Affordability Program. This is so because: (1) a scientific process is to determine the greenhouse gas emissions cost recovery demands to be collected; (2) the State's legal ability to collect the cost recovery demands is subject to significant uncertainty; and (3) the exact timing of compensatory payments and program expenditures is unknown.

The State revenue gain would be from payments by parties deemed responsible under the bill for New Jersey's costs attributable to greenhouse gas emissions. The bill's short-term State expenditure increases would accrue from administrative expenditures, including from the engagement of any consultants to assist with the determination of cost recovery demand amounts, and from any legal expenses related to defending the legislation in court. If cost recovery demands were collected, the State would also incur longer-term costs from using the collections to award grants to climate change adaptation and resilience projects.