

LEGISLATIVE FISCAL ESTIMATE

SENATE, No. 4061

STATE OF NEW JERSEY

222nd LEGISLATURE

DATED: JUNE 22, 2026

SUMMARY

Synopsis: Allows value of SREC-IIs to be included in cost-benefit calculations under energy savings improvement programs.

Type of Impact: Annual expenditure increases and cost savings for boards of education.

Agencies Affected: Board of Public Utilities, Boards of Education.

Annual Fiscal Impact	
Boards of Education Expenditure Increase	Indeterminate
Boards of Education Cost Savings	Indeterminate

- The Office of Legislative Services (OLS) notes that the bill would authorize boards of education to include the value of successor solar renewable energy certificates (SREC-IIs) in the savings calculation used to demonstrate cost-neutrality under energy savings improvement programs. The inclusion of SREC-IIs in energy savings programs would incentivize boards of education to undertake energy savings projects, which will result in increased financing costs as well as energy cost savings that should balance out over the life of the project.
- Under current law, when an energy services company submits an energy savings improvement program proposal to a contracting board of education, the savings calculation used to determine whether projected savings will cover project costs cannot include the value of solar renewable energy certificates (SRECs). This exclusion exists because traditional SREC prices could fluctuate significantly based on supply and demand, making them an unreliable revenue stream to support longer term financing obligations such as lease-purchase agreements or energy savings obligations.
- The bill would carve out an exception for SREC-IIs, which are certificates issued under the successor program that pay a fixed price by project rather than a fluctuating one.

BILL DESCRIPTION

This bill makes changes to the statute authorizing boards of education, including the board of education of any local school district, consolidated school district, regional school district, county vocational school and any other board of education or other similar body other than the State Board of Education, the Commission on Higher Education or the Presidents' Council and the board of trustees of a charter school, to participate in the program.

Specifically, the bill provides that SREC-IIs would be included as part of the calculation for determining whether the energy savings resulting from an energy savings improvement program will be sufficient to cover the cost of the program's energy conservation measures. SRECs were formerly prevented from being included in the calculation for determining energy savings, as the value of SRECs fluctuates based on the supply and demand. The successor to the SREC program, the SREC-II program, provides a fixed price for its certificate.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS finds that this bill will result in increased financing costs for boards of education as well as cost savings, which should balance out over the life of the project. Under current law, when an energy services company submits an energy savings improvement program proposal to a contracting board of education, the savings calculation used to determine whether projected savings will cover project costs cannot include the value of solar renewable energy certificates (SRECs). This exclusion exists because traditional SREC prices could fluctuate significantly based on supply and demand, making them an unreliable revenue stream to support longer-term financing obligations such as lease-purchase agreements or energy savings obligations.

The bill would carve out an exception for SREC-IIs, which are certificates issued under the successor program that pay a fixed price rather than a fluctuating one. Specifically, boards of education would now be authorized to include the value of SREC-IIs in the savings calculation used to demonstrate cost neutrality, which is required by current law, of energy savings plans. The inclusion of SREC-IIs in energy savings improvement plans would incentivize boards of education to undertake energy savings projects, which will result in increased financing costs for boards of education as well as energy cost savings that should balance out over the life of the project.

By way of background, P.L.2021, c.169 directed the Board of Public utilities to develop a successor solar renewable energy certificate (SREC-II) program to incentivize the development of at least 3,750 megawatts of solar energy by 2026. An SREC-II is distributed for each megawatt-hour of solar energy produced by qualifying solar power facilities and is accompanied by a renewable energy incentive reimbursement. The value of an SREC-II is determined by the Board of Public Utilities, with consideration to the environmental attributes of a facility, including facility size, project costs and revenues, economic and demographic characteristics of the project site, eligibility for net metering, and facility rate class. Each SREC-II is established at a fixed rate by project.

Section: Environment, Agriculture, Energy, and Natural Resources

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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.).