ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 1626

with committee amendments

STATE OF NEW JERSEY

DATED: NOVEMBER 15, 2021

The Assembly Appropriations Committee reports favorably Assembly Bill No. 1626, with committee amendments.

This bill requires the New Jersey Economic Development Authority (EDA), in consultation with the Department of Education and the New Jersey Motor Vehicle Commission, to develop and administer a loan program to facilitate the acquisition of electric-powered school buses by local school districts and school bus contractors.

The bill requires the EDA to enter into a loan agreement with a local school district or school bus contractor that has received loan program application approval. Under the loan agreement, the EDA is to provide a loan for: (1) the cost differential to a local school district or school bus contractor of purchasing an electric-powered school bus instead of a similar type of diesel or gasoline-powered school bus for use by the local school district or school bus contractor; (2) the cost to purchase and install charging infrastructure for electric-powered school buses; and (3) the costs to convert a diesel-powered school bus to an electric-powered school bus if the diesel-powered school bus has an expected useful life of at least 10 years from the time that the loan funds are expected to be used to make the conversion.

Under the bill, a loan is to bear interest at rates and terms deemed appropriate by the EDA and contain other terms and conditions considered appropriate by the EDA that are consistent with the purposes of the bill and with the rules and regulations adopted by the EDA to administer the loan program.

As amended and reported, Assembly Bill No. 1626 is identical to Senate Bill No. 228, which was also amended and reported by the committee on this date.

COMMITTEE AMENDMENTS:

The committee amended the bill to provide that the loan program may provide loans to a local school district or school bus contractor for the costs to purchase and install charging infrastructure for electric-powered school buses and for the costs to convert a diesel-powered school bus to an electric-powered school bus if the diesel-powered school bus has an expected useful life of at least 10 years from the

time that the loan funds are expected to be used to make the conversion.

FISCAL IMPACT:

The Office of Legislative Services finds that the New Jersey Economic Development Authority (EDA) will incur indeterminate annual increased costs to establish, administer, and fund the loan program. The magnitude of the annual cost increases will depend upon the number of loan applications received each year, amounts requested by local schools, and the source of the loan program funding, which cannot be known at this point.

The EDA will realize indeterminate annual increased revenues in the form of loan repayments from schools that are issued loans, including any fees or other borrowing costs imposed pursuant to the terms of the loan agreements. The amount of the revenue increase will depend upon the interest rates and fees charged to borrowers, the total amount of loans issued, and the eventual loan default rate. None of this information can be projected at this point because the EDA is given discretion to design the loan program as it deems appropriate.

The net annual impact on school district expenditures is indeterminate. EDA loans covering the cost difference between diesel school buses and electric school buses, charging infrastructure, and diesel to electric vehicle retrofits will reduce costs to schools assuming that 1) these loans carry a lower interest rate than schools would have otherwise faced for the purchase of an electric bus, and 2) the schools were already planning on purchasing electric school buses instead of diesel buses. If the schools would have otherwise purchased diesel buses absent this legislation, then the schools will face increased initial costs for the electric bus purchase while likely realizing decreased costs in subsequent years from lower maintenance and fuel costs.