

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 228

STATE OF NEW JERSEY

DATED: FEBRUARY 13, 2020

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 228.

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 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. 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.

FISCAL IMPACT:

The Office of Legislative Services (OLS) finds that the 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 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 for lower maintenance and fuel costs.