

LEGISLATIVE FISCAL ESTIMATE

[Second Reprint]

SENATE, No. 2484

STATE OF NEW JERSEY
219th LEGISLATURE

DATED: NOVEMBER 19, 2020

SUMMARY

- Synopsis:** Establishes Office of Clean Energy Equity in BPU; directs establishment of certain clean energy, energy efficiency, and energy storage programs for overburdened communities; makes change to community solar program.
- Type of Impact:** Increased State and local expenditures.
- Agencies Affected:** Board of Public Utilities, Department of Community Affairs, Department of Labor and Workforce Development, County Colleges, Vocational Technical High Schools.

Office of Legislative Services Estimate

Fiscal Impact	<u>Annual</u>
State Cost Increase	At least \$50 million
Local Cost Increase	Indeterminate

- The Office of Legislative Services (OLS) projects that the bill will result in indeterminate direct annual State costs of at least \$50 million, attributable to the required minimum funding level for the Office of Clean Energy Equity from the Board of Public Utility’s (BPU) clean energy budget. Unless sufficient clean energy fund surplus balances exist, this increase in expenditure of clean energy fund monies could result in a decrease in other State expenditures tied to the clean energy fund, or result in an increase in the utility rate surcharges that comprise the Societal Benefits Charge (SBC), of which the clean energy fund is a part.
- The bill will also result in an indeterminate increase in BPU spending to support grants for clean energy workforce training and to fund the community solar energy pilot program. To the extent that existing funding from the SBC is unable to support these programs, the spending is likely to be supported by increasing surcharges applied to the utility bills of all ratepayers. Given that all State and local entities consume and pay for energy, indirect State and local costs will increase based on the increase in their utility bills which will be spread across the entire rate base paid by all energy consumers.



- The additional expenditures outlined in this bill will serve public purposes of increasing the generation of solar and renewable energy, job and skills training in overburdened communities, and reduced energy costs for low-income households. These measures may have an indirect fiscal benefit to the state in the form of higher State tax revenues and lower State and local expenditures on publicly provided health care, jobless benefits, and other social safety net programs, if the expenditures are able to improve air quality and individual health outcomes and improve resident employment and job skills in targeted areas. The proportion of these potential indirect benefits against the direct costs of the program cannot be known beforehand.

BILL DESCRIPTION

This bill would establish the Office of Clean Energy Equity in the BPU. The office would be charged with promoting, guiding, and overseeing the equitable deployment of clean energy, energy efficiency, and energy storage programs and technologies in overburdened communities, and the equitable provision of the tangible benefits of clean energy, increased energy efficiency, and energy storage at the household and community level, including clean energy asset ownership, energy cost savings, and employment and economic opportunities, to overburdened communities. The bill would require the BPU to: (1) establish onsite solar or community solar programs, which benefit 250,000 low income households or 35 percent of the low income households in the State, whichever is larger, by 2030, with the goal of reducing these households' average energy burden to below six percent of household income; and (2) require the establishment of a minimum of 1,600 megawatt hours of energy storage to benefit overburdened communities by 2030.

In addition, the BPU, in cooperation with the office, would be required to: integrate workforce development training into all clean energy and energy storage programs established by the BPU; provide outreach and recruitment campaign grants to community-based organizations to increase participation in clean energy and energy efficiency programs; develop, in coordination with community-based organizations, outreach materials in multiple languages; appoint a community liaison and establish an advisory board consisting of representatives of overburdened communities to review and evaluate the clean energy and energy storage programs available to overburdened communities; and coordinate with the Department of Labor and Workforce Development and the Department of Community Affairs (DCA) concerning their responsibilities pursuant to the bill.

The bill would require the BPU to direct no less than 10 percent of the BPU's annual total clean energy budget, or at least \$50 million annually, whichever is greater, to the office for the purposes of the bill. The BPU would be authorized to allocate additional funding, staff, and resources to the office as it determines appropriate.

In addition, the bill would require the Department of Labor and Workforce Development, in consultation with the office and the New Jersey Economic Development Authority, to establish a program to provide grants to community-based, diversity-focused nonprofit organizations, community colleges, and vocational-technical schools to develop solar energy or clean energy paid workforce training programs that provide training to at least 2,500 individuals from overburdened communities by 2025. The department shall require, as a condition of a grant award, that the programs be updated every two years to ensure that they prepare participants adequately for the current job market in the solar energy or clean energy industry. The bill would also direct the Department of Labor and Workforce Development, in coordination with community-based organizations, to develop programs to provide entrepreneurial training, mentoring, apprenticeships, investment capital, loans, or other training, capacity building, technical, and financial support to residents of overburdened communities to help launch new clean energy enterprises or establish careers in the clean energy workforce.

Under the bill, the DCA, in consultation with the office, would require all new construction located in an overburdened community to be solar ready, subject to any specific exemptions that the department and the BPU deem reasonable and necessary and that the department adopts as rules and regulations. The bill would also require the department to give preference to applications for onsite, community solar, energy storage, or other clean energy projects that are sited in overburdened communities or include minority or women-owned businesses.

Lastly, the bill would amend the current law establishing the Community Solar Energy Pilot Program to require that the eventual permanent community solar program provide for access to solar energy projects for low and moderate income customers, in accordance with the requirements of the bill. The bill would also require that the permanent community solar energy program be established by rule or regulation no later than the date on which the BPU adopts rules and regulations establishing a permanent successor to the solar renewable energy credit program (SREC) program. In addition, the bill would require that the program be consistent with any land use provisions of the permanent successor to the SREC program currently being developed by the BPU.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS projects that the bill will result in indeterminate direct annual State costs equal to the higher of \$50 million or 10 percent of BPU clean energy budget, whichever is higher. In addition, there will be additional costs to support the clean energy job training grant program and to fund the community solar energy pilot program. These programs are likely to be funded from available monies in the clean energy fund. These increased costs may result in a reduction in clean energy fund monies that are used for other State purposes. It also may result in the BPU increasing the surcharge on utility ratepayers through the SBC, in order to increase the amount of revenue available in the clean energy fund.

State and local government units will realize an increase in indirect costs if there is an increase in SBC charges, because each government unit is also a utility ratepayer. The SBC is a charge that is applied across the entire utility rate base so all rate payers would be impacted. State and local government energy consumption is a relatively small portion of the overall rate base, so the cost burden government units would face due to the rate increase is much smaller than the actual cost of funding the programs. Other residential, industrial, and commercial utility customers who make up the majority of the rate base would proportionately be charged the remaining indeterminate amount that could need to be raised through the SBC.

The bill also requires the office and the DCA to require construction in overburdened communities to be solar ready. It is unclear how such an increase in regulatory building standards would impact the cost of construction in these areas or alter economic development activity in these areas. These changes will ensure that more of the built environment in these areas is ready for solar installations; however, by increasing construction costs, it may also have negative indirect economic impacts on development which could reduce income, sales, and business tax revenues if it results in less economic activity.

Finally, the bill makes specific targeted investments in reducing energy costs for low income residents in the State, developing clean energy generation projects, job training, and energy-related economic activity in overburdened communities. These investments will have clear direct costs, with the intention of generating various public benefits. If these public benefits are realized, State and local governments could experience various indirect fiscal benefits. Increased economic activity in these overburdened communities could result in an indeterminate amount of indirect additional income, sales, and business tax revenue. Additionally, the State spends significant sums annually on health care, job training, and economic development. Some of those costs could be reduced or mitigated if this bill is successful in achieving its objectives. For instance, improved air quality could improve community health outcomes, which could reduce State spending on public health care. An improved job market in an overburdened community, fueled by a growing renewable energy sector could reduce or replace State and local expenditures on job training, economic development incentives, unemployment insurance, and other safety net programs. The extent to which any of these indirect benefits will be realized cannot be known at this time and will depend upon whether the bill is effective in accomplishing its goals.

Section: Authorities, Utilities, Transportation and Communications

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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.).