

LEGISLATIVE FISCAL ESTIMATE

[Second Reprint]

SENATE, No. 3033

STATE OF NEW JERSEY 219th LEGISLATURE

DATED: MARCH 17, 2021

SUMMARY

- Synopsis:** Establishes School and Small Business Energy Efficiency Stimulus Program in BPU.
- Type of Impact:** Potential expenditure increase to State General Fund and local governments; Potential increase in societal benefits charge to fund program established by the bill.
- Agencies Affected:** Board of Public Utilities; State and Local Governments.

Office of Legislative Services Estimate

Fiscal Impact	<u>Annual</u>
State Expenditure Increase	Indeterminate
Local Expenditure Increase	Indeterminate

- The Office of Legislative Services (OLS) cannot determine whether the bill will have a positive or negative net fiscal impact on the State and its local governments. The inability to determine the direction and magnitude of the fiscal impact is rooted in imperfect information on the number and attributes of the school district projects and minority and woman-owned small business projects that would be eligible for and receive grants under the School and Small Business Energy Efficiency Stimulus (SSBEES) Program established by the bill.
- The source of funding for the SSBEES Program would be the societal benefits charge (SBC). The SBC is a monthly charge to corporate electric and gas utility customers based on usage by those utility customers. The Board of Public Utilities (BPU) determines the amount of the charge based on the BPU's annual estimated budget needs to fund the various State clean energy and low-income residential bill payment assistance programs funded by the SBC. The costs of the SSBEES Program may result in the BPU increasing the amount of the SBC or reducing funding for other SBC financed programs to meet the amount of the grants awarded under this program and the various State clean energy and assistance programs funded by the SBC.

- As utility ratepayers, State government and county and municipal governments may be subject to higher utility costs if the BPU increases the dollar amount of the SBC in order to fund the SSBEES Program and the boards of education and small businesses receiving program benefits.

BILL DESCRIPTION

This bill establishes the SSBEES Program in the BPU. “Small business” is defined in the bill as concerning a woman or minority-owned small business. The purpose of the program is to ensure that certain school and small business heating, ventilation, and air conditioning (HVAC) systems are upgraded to safely prepare board of education schools and small businesses for operating during the coronavirus 2019 pandemic and to generally improve the health and safety of the environment of those schools and small business. This new program would also fund the upgrading of old, inefficient plumbing fixtures that waste water and energy.

The bill provides that the SSBEES Program is to consist of the following sub-programs:

- 1) The School and Small Business Ventilation and Energy Efficiency Verification and Repair (SSBVVEVR) Program; and
- 2) The School and Small Business Noncompliant Plumbing Fixture and Appliance (SSBNPFA) Program.

The bill provides that not less than 25 percent of projects funded by the SSBVVEVR program or SSBNPFA program are to be in school districts and small businesses located in underserved communities, as defined in the bill.

The bill provides that the BPU is to begin to solicit applications from boards of education and small businesses for grants on or before April 1, 2021 and begin to approve applications for grant no later than May 1, 2021, subject to the availability of funds.

The bill provides that the program is to be funded by monies collected from the societal benefits charge, pursuant to law, and that 75 percent of funds are to be used for the SSBVVEVR program and 25 percent of funds for the SSBNPFA program.

The bill requires the BPU to establish and administer the SSBVVEVR program to award grants to boards of education and small businesses to ensure schools and small businesses are to have functional HVAC systems that are tested, adjusted, and, if necessary or cost effective, repaired, upgraded, or replaced to increase efficiency and performance. Boards of education and small businesses may apply for a grant by submitting an application to the BPU, in a form and manner determined by the BPU, for reasonable costs of the HVAC system assessment, assessment report, general maintenance, adjustment of ventilation rates, filter replacement, and carbon dioxide monitor installation. The bill also establishes standards for qualified testing and adjusting personnel under the SSBVVEVR program.

The BPU is to award a grant if the amount requested in the application is verified by certain licensed professionals’ estimate and boards of education and small businesses meet other requirements determined by the BPU to be appropriate to achieve the purposes of the bill. A grant is to be awarded in the amount requested plus an additional 20 percent of the requested amount for repairs, upgrades, or replacements necessary to make the HVAC system functional or more energy efficient. If a licensed mechanical engineer identifies cost-effective energy efficiency upgrades or repairs that would exceed the additional 20 percent awarded, boards of education and small businesses may apply for additional funding for the cost-effective energy efficiency upgrades or repairs.

The bill allows for the BPU to award a grant for reimbursement of work already performed where the work was contracted and performed after August 1, 2020, and meets the requirements of the bill, and the board of education and small business meet other requirements determined by the BPU to be appropriate to achieve the purposes the bill.

The bill provides that a licensed mechanical engineer is to determine what, if any, additional adjustments or repairs would be necessary to meet the minimum ventilation and filtration requirements determine whether any further cost-effective energy efficiency upgrades or replacements are warranted or recommended, and provide an estimated cost for this work. If the cost of recommended repairs, upgrades, or replacements are greater than the contingency amount provided in the grant, then the licensed professional and the school district or small business are to submit an application for additional funding.

The bill requires the BPU to establish and administer the SSBNPFA program to provide grants to boards of education and small businesses to replace noncompliant plumbing fixtures and appliances that fail to meet water efficiency standards and waste potable water and the energy used to convey that water, with water-conserving plumbing fixtures and appliances, as those terms are defined in the bill. The BPU is to award a grant if a board of education or small business submits documents showing the existence of noncompliant plumbing fixtures or appliances in the schools or small business for which the grant funding will be used and a cost estimate verified by a contractor for the replacement of the noncompliant plumbing fixtures and appliances with water-conserving plumbing fixtures and water-conserving appliances. The board of education or small business would also have to meet other requirements determined by the BPU.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS cannot determine whether the bill will have a positive or negative net fiscal impact on the State and its local governments. The inability to determine the direction and magnitude of the fiscal impact is rooted in imperfect information on the number and attributes of the school district projects and minority and woman-owned small business projects that would be eligible for and receive grants under the SSBEES Program established by the bill. The boards of education that may be eligible for grants under the SSBEES Program cannot be determined due to the lack of information on which boards of education and minority or woman-owned small businesses will ultimately qualify for grant funding under the SSBEES Program and also will seek assistance under the SSBEES Program.

Indeterminate State Expenditure Increase: The source of funding for the SSBEES Program would be the SBC. The SBC is a monthly charge to corporate electric and gas utility customers based on electric per kilowatt hour (KWH) and natural gas per British thermal unit (BTU) usage by those utility customers. The BPU determines the dollar amount of the charge per KWH and per BTU, based on the BPU's annual estimated budget needs to fund the various State clean energy and low-income residential bill payment assistance programs of which the SBC is the sole or is a major funding source. The dollar amount of the SBC depends on the amount of SBC revenues collected and used for these energy and assistance programs. As an additional funding source for

the SBC, the costs of the SSBEES Program may result in the BPU increasing the amount of the SBC to meet the amount of the grants awarded under the SSBEES Program and the various State energy and programs funded by the SBC. Given the economic disruptions and increase in unemployment levels in the State caused by the coronavirus 2019 pandemic, it is expected that there will be an increase in the number of State residential utility customers who will seek utility bill payment assistance after the utility shutoff moratorium expires. The effect of increased numbers of utility customers seeking bill payment assistance could result in the BPU increasing the SBC amount, even without the SSBEES Program. To the extent that the State budget relies upon the use of SBC revenues through the clean energy fund to offset certain State General Fund costs, additional programs that increase demands on SBC resources could indirectly result in less SBC funding availability for programs such as the clean energy fund, increasing State costs to be borne by the State General Fund, if the BPU decides to meet increased demand for SBC funding through reallocation of revenues rather than fully meeting increased demand through rate increases.

Indeterminate State and Local Expenditure Increase: As utility ratepayers, State government and county and municipal governments may be subject to higher utility costs if the BPU increases the dollar amount of the SBC in order to fund the SSBEES Program and the boards of education and small businesses receiving program benefits.

Other Possible Financial Considerations: Although the effect of the bill could lead to an increase in the number of jobs created or retained within the HVAC and plumbing industry sectors due to increased demand for work as contemplated in the bill, those industry and job benefits would result in indirect increases in State revenues through incomes, sales, and business tax revenue.

The school projects funded under the SSBEES Program that would have been built absent this new program likely represent a shift of costs from local governments to the SBC.

Pursuant to State law, as a condition of receiving financial assistance from the BPU, workers engaged in HVAC and plumbing construction work are to be paid a prevailing wage by an eligible board of education or small business receiving a grant under the SSBEES Program, thus resulting in the possibility of high grant award amounts for these labor costs to eligible boards of education and small businesses in order to meet the HVAC and plumbing system requirements in the bill. Provisions that increase cost from limited SBC funds can have the impact of limiting the number of projects that will be funded under the SSBEES Program, or possibly limiting assistance available under other assistance programs funded through the SBC.

Section: Authorities, Utilities, Transportation and Communications

*Analyst: Kevin J. Donahue
Principal Research Analyst*

*Approved: Thomas Koenig
Legislative Budget and Finance Officer*

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.).