

LEGISLATIVE FISCAL ESTIMATE
ASSEMBLY, No. 4540
STATE OF NEW JERSEY
221st LEGISLATURE

DATED: JUNE 28, 2024

SUMMARY

- Synopsis:** Requires payment of prevailing wage for projects financed through commercial property assessed clean energy program.
- Type of Impact:** Increase in annual State and local expenditures.
- Agencies Affected:** Department of Labor and Workforce Development; Economic Development Authority.

Office of Legislative Services Estimate

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

- The Office of Legislative Services (OLS) determines that the bill will result in an indeterminate increase in annual State and local expenditures by requiring the payment of the prevailing wage for projects financed through the commercial property assessed clean energy (C-PACE) program.
- The bill makes no changes to current law that allows the Economic Development Authority to charge administrative fees to review proposed C-PACE ordinances and property owner applications. Since these revenue-generating aspects remain unchanged, there is no change in revenues associated with C-PACE activities.

BILL DESCRIPTION

This bill removes provisions in current law that exclude financing under the commercial property assessed clean energy (C-PACE) program from being considered as “authority financial assistance”, or financial assistance that would require payment of the prevailing wage. The bill expressly provides that any direct financing provided by a capital provider for a C-PACE project is considered "authority financial assistance" and that work on the project is subject to the prevailing wage requirements.

The C-PACE program provides financing for renewable energy, energy efficiency, water conservation, and certain types of resiliency-related improvements for New Jersey.

Pursuant to the bill, employers are required to ensure that not less than the prevailing wage rate is paid to workers involved in construction contracts connected to C-PACE program financing. The prevailing wage rate, determined by the Department of Labor and Workforce Development, applies to any authority financial assistance including loans, loan guarantees, grants, incentives, tax exemptions, or other financial assistance provided by the authority.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS determines that the bill will result in an indeterminate increase in annual State and local expenditures by requiring the payment of the prevailing wage for projects financed through the C-PACE program.

The bill removes provisions in the current law that exclude financing under the C-PACE program from being considered as “authority financial assistance”, or financial assistance that would require payment of the prevailing wage. The Economic Development Authority provides general oversight of the program and along with the Department of Labor and Workforce Development will need to implement additional monitoring and enforcement mechanisms to ensure adherence to the Prevailing Wage Act, which may create additional administrative costs. However, these costs may be partially offset by the fees the authority may charge to review a C-PACE program ordinance or project application.

Under current law, the authority is authorized to potentially recoup administrative costs by charging a county or authorized municipality a one-time fee, not to exceed \$5,000, to review the proposed C-PACE program ordinance. Additionally, the authority may charge a property owner a fee for the review of an application for a C-PACE project in the Garden State C-PACE program and for its fulfillment of such obligations.

The OLS notes that the bill is permissive regarding a municipality’s or county’s participation in the C-PACE program. As a result, the OLS is unable to quantify the impact of the bill on local finances. Any local government that participates in and provides financing through a C-PACE program may experience increased costs due to the requirement to pay the prevailing wage.

Section: Commerce, Labor and Industry
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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.).