

Department of Legislative Services
Maryland General Assembly
2011 Session

FISCAL AND POLICY NOTE

Senate Bill 670

(Senator Rosapepe)

Finance

Economic Matters

Task Force on Solar Hot Water Systems in Prince George's County

This bill reestablishes the Task Force on Solar Hot Water Systems in Prince George's County. The Prince George's County government must provide staff for the task force and the Maryland Energy Administration (MEA) may provide technical assistance. The bill specifies that it is the intent of the General Assembly that any technical assistance provided by MEA be provided with MEA's existing resources. The bill also specifies intent that, to the extent possible, the same individuals be appointed to the task force as those appointed to the Task Force on Solar Hot Water Systems in Prince George's County established under Chapter 649 of 2010, which terminated December 31, 2010. A final report with findings and recommendations is due by December 31, 2011.

The bill takes effect June 1, 2011, and terminates December 31, 2011.

Fiscal Summary

State Effect: General fund expenditures may increase for MEA to contribute to the cost of consulting services necessary to accomplish the objectives of the task force. The total cost of consulting services is expected to be in the range of \$50,000. Any expense reimbursements for task force members are assumed to be minimal and absorbable within existing budgeted resources.

Local Effect: Prince George's County expenditures may similarly increase to contribute to the cost of consulting services for the task force.

Small Business Effect: Minimal.

Analysis

Bill Summary: The task force is reestablished to develop a business plan to achieve substantial use of solar hot water systems over a relatively short period of time in a way that saves money for Prince George's County residents and businesses and that reduces carbon emissions. In addition to developing the business plan, the task force must:

- study and analyze the use of solar hot water systems in other states and countries to identify ways to support substantial use of solar hot water systems in Prince George's County;
- analyze current federal, State, and local incentives and related existing and potential policy tools to support substantial use of solar hot water systems in Prince George's County;
- analyze policy, financial, market, and other obstacles to implementing solar hot water systems in Prince George's County and ways to overcome the obstacles;
- explore possibilities to use greenhouse gas markets or other market-based incentives to monetize emission reductions and thereby lower the cost of solar hot water systems; and
- identify the best major markets for implementation of solar hot water systems.

The findings and recommendations of the task force must be reported to the Prince George's County Senators, the Prince George's County Delegation, the Prince George's County Council and Executive, the Senate Finance Committee, and the House Economic Matters Committee.

Task force members may not receive compensation but are entitled to reimbursement for expenses under the standard State travel regulations, as provided in the State budget.

Current Law/Background: The Task Force on Solar Hot Water Systems in Prince George's County, established under Chapter 649 of 2010, met a number of times and discussed consultant work, but did not complete its objectives before terminating on December 31, 2010.

The U.S. Department of Energy (DOE) indicates that solar water heaters can be a cost effective way to generate hot water for a home and that while solar hot water systems usually cost more to purchase and install than conventional water heating systems, they can usually save money in the long run. According to DOE, on average, water heating bills should drop 50% - 80% after installation of a solar water heater. Solar water heating systems, which generally consist of a solar collector and a storage tank, can be active or passive. Active solar water heaters rely on electric pumps and controllers to circulate

water or other heat-transfer fluids through the collectors, while passive systems rely on gravity and the natural tendency of water to circulate as it is heated.

State incentives for solar water heating systems include grants available under the Solar Energy Grant Program and an exemption of the sale of solar energy equipment, including equipment to provide hot water for use in a structure, from the sales and use tax. MEA administers the Solar Energy Grant Program and may adjust grant amounts to reflect market conditions and prevailing prices of solar energy property, but grants for solar water heating property may not exceed the lesser of \$3,000 or 30% of the total installed cost of the solar water heating property.

State law also authorizes local governments to grant property tax credits for solar energy, geothermal energy, and qualifying energy conservation devices, used to, among other things, provide hot water for use in a structure. Pursuant to State law, Prince George's County offers a real property tax credit to residential structures that use solar or geothermal energy devices. For a solar hot water system, the tax credit is the lesser of 50% of eligible costs or \$1,500.

State Fiscal Effect: General fund expenditures may increase for MEA to contribute to the cost of consulting services necessary to accomplish the objectives of the task force. The total cost is expected to be in the range of \$50,000.

The bill indicates that MEA *may* provide technical assistance and expresses legislative intent that any technical assistance provided by MEA be provided with existing resources. If existing MEA funding is redirected from other projects to cover the costs of consulting services in order to provide technical assistance for the task force, general fund expenditures may increase to replace redirected funding.

Local Fiscal Effect: Prince George's County expenditures may similarly increase to contribute to the cost of consulting services necessary to accomplish the objectives of the task force. Providing staff for the task force is expected to be handled with the county's existing resources.

Additional Information

Prior Introductions: None.

Cross File: HB 306 (Delegate Frush) - Economic Matters.

Information Source(s): Maryland Energy Administration, Prince George's County, U.S. Department of Energy, Department of Legislative Services

Fiscal Note History: First Reader - February 23, 2011
mc/lgc

Analysis by: Scott D. Kennedy

Direct Inquiries to:
(410) 946-5510
(301) 970-5510