

Department of Legislative Services
Maryland General Assembly
2016 Session

FISCAL AND POLICY NOTE
Enrolled - Revised

Senate Bill 726
Finance

(Senator Mathias, *et al.*)

Economic Matters

Maryland Clean Energy Center - Task Force

This bill establishes the Task Force on the Maryland Clean Energy Center (MCEC) to determine how best to make MCEC self-sustaining without deviating from its mission and charge. The Department of Legislative Services (DLS), in consultation with the Department of Economic Competitiveness and Commerce (DOC), must provide staff for the task force. By December 1, 2016, the task force must report its findings and recommendations to the Governor and the General Assembly.

The bill takes effect June 1, 2016, and terminates June 30, 2017.

Fiscal Summary

State Effect: Any expense reimbursements for task force members are assumed to be minimal and absorbable within existing budgeted resources. DLS can staff the task force with existing budgeted resources. DOC can handle the bill's requirements with existing budgeted resources.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The task force must:

- assess the programs currently provided by MCEC and the programs that, within its mission, charge, and structure, may be provided by MCEC, including the establishment of a green bank;
- review existing State financing instrumentalities that may have similar financing capabilities for purposes of determining whether there are advantages to MCEC to coordinate or partner with those State financing instrumentalities on financing programs;
- identify the availability of resource capacity in State financing instrumentalities for purposes of determining whether there are cost-effective opportunities for MCEC to share resources with those State financing instrumentalities on financing programs;
- review other cost-effective opportunities, including having MCEC co-locate with another State financing instrumentality or State agency, that may assist MCEC during the time when MCEC is working toward becoming self-sustaining;
- determine whether the outstanding balance of loans initiated in fiscal 2009 from the Maryland Energy Administration (MEA) should be converted to a grant and considered as start-up funds as a way in assisting MCEC to become self-sustaining;
- determine an appropriate amount of State annual grant funding that MCEC should receive for operating and program assistance as MCEC works toward becoming self-sustaining and in no further need of operating and program support from the Strategic Energy Investment Fund or any other State money; and
- consider any other related matter that the task force determines appropriate.

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: MCEC was established by Chapter 137 of 2008 to generally promote and assist the development of the clean energy industry in the State; promote the deployment of clean energy technology in the State; and collect, analyze, and disseminate industry data. MCEC is authorized to make grants to or provide equity investment financing for clean energy technology-based businesses. MCEC may accept grants, loans, and donations. Among other program, MCEC administers the Maryland Clean Energy Capital Program (MCAP).

MCAP is MCEC's institutional financing program. MCAP uses tax-exempt bonds to finance energy-related projects for local governments, universities, hospitals, and other nonprofits.

Uncodified language states that it is the intent of the General Assembly that MCEC not rely on funding from appropriations made from the general fund, but that this may not be construed to limit MCEC's ability to seek and obtain funding from DOC other State units and programs for economic and community development, however funded, or from federal programs involving a requirement for matching State funds.

Background: Chapter 365 of 2014 required MCEC, in coordination with MEA, to conduct a study and make recommendations related to "green banks" and financing initiatives. Based on the analysis, MCEC, in collaboration with MEA, was required to make recommendations on (1) the need for a green bank in the State; (2) the scope of such a bank; (3) possible sources of capital; (4) the method of establishment; and (5) any other relevant aspect relating to green banks deemed appropriate. An interim report was due on December 1, 2014, and a final report was due on December 1, 2015. The final [report](#) can be found on MCEC's website.

According to the report, a green bank is "... a public or quasi-public institution that finances the deployment of renewable energy, energy efficiency, and other clean energy projects in partnership with private lenders." Green banks partner with private investors on projects. Green bank financing initiatives include activities such as credit enhancements (*e.g.*, loan loss reserves, which set aside capital to cover a portion of a lender's loss), warehousing and securitization activities (*e.g.*, the green bank issuing and holding a loan until it can be sold to private investors), on-bill financing, and property assessed clean energy (known as PACE programs).

The report concluded that MCEC was in a good position to serve as Maryland's green bank. A detailed description of the report can be found beginning on page 30 of the 2017 operating budget [analysis](#) for MEA on the Maryland General Assembly website.

Additional Comments: In the fiscal 2017 budget as enacted, the General Assembly has restricted \$3.3 million in special funds for MEA to provide a grant to MCEC for operating support and assistance (which is subject to the Governor releasing the funds for this purpose). Absent this or other funding, MCEC will run out of money after May 2016.

Additional Information

Prior Introductions: None.

Cross File: HB 705 (Delegate Davis, *et al.*) - Economic Matters.

Information Source(s): Maryland Clean Energy Center, Department of Budget and Management, Maryland Energy Administration, Public Service Commission, Department of Commerce, Department of Legislative Services

Fiscal Note History: First Reader - February 24, 2016
min/lgc Revised - Senate Third Reader/Updated Budget Information -
April 9, 2016
Revised - Enrolled Bill - April 29, 2016

Analysis by: Stephen M. Ross

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