Department of Legislative Services

Maryland General Assembly
2018 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 1236 (Delegates Clippinger and Brooks)
Economic Matters Finance

Solar Energy Grant Program - Revisions

This bill makes changes related to solar grants administered by the Maryland Energy Administration (MEA) by (1) modifying Strategic Energy Investment Fund (SEIF) uses and requirements relating to solar grants; (2) establishing a maximum grant limit for photovoltaic property that serves specified low- or moderate-income residents; (3) establishing amounts and limits for other residential and nonresidential grants; and (4) generally prohibiting the denial of a grant application based on the age of a property on which photovoltaic property will be installed. **The bill takes effect June 1, 2018.**

Fiscal Summary

State Effect: The bill is not expected to affect State finances; the bill does not change overall spending from SEIF, despite modifying requirements applicable to solar grants funded by SEIF.

Local Effect: Local government grant revenues and expenditures may be affected by an indeterminate amount.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary:

Modification of SEIF Uses and Requirements

The bill modifies the listed uses of SEIF to include reducing electricity consumption by customers in the low-income and moderate-income residential sectors through the Solar

Energy Grant Program. The bill also requires MEA to comply with the requirements under the Solar Energy Grant Program when awarding solar grants from SEIF (1) to reduce electricity consumption by customers in the low-income and moderate-income residential sectors and (2) using proceeds received by the fund from the sale of carbon allowances to power plants and other market participants under the Regional Greenhouse Gas Initiative (RGGI).

Grant Limit for Photovoltaic Property that Serves Low- or Moderate-income Residents

The bill establishes a maximum grant limit under the Solar Energy Grant Program, for photovoltaic property that serves specified low-income or moderate-income residents, of the lesser of $300 per kilowatt (kW) of installed electricity generation or $3,000, for a building with not more than five dwelling units.

Amounts and Limits for other Residential or Nonresidential Grants

For fiscal 2019 and 2020 only, a grant awarded must be equal to $250 per kW of installed electric generation capacity up to a maximum of $2,000 for a photovoltaic property that is (1) residential, but does not serve low-income or moderate-income residents, or (2) not residential. After fiscal 2020, residential grants (for other than low-income or moderate-income residents) and nonresidential grants, for photovoltaic property with an installed electricity generation capacity of 20 kW or less, are subject to an existing maximum limit on grants under the existing Solar Energy Grant Program provisions – the lesser of $2,500 per kW of installed electricity generation capacity or $10,000.

Prohibition on Denial of an Application Based on the Age of a Property

MEA may not deny an application for a grant under the Solar Energy Grant Program on the basis of the age of the property on which the photovoltaic property will be installed, unless the property is listed on the National Register of Historic Places.

Current Law/Background:

Solar Energy Grant Program

The Solar Energy Grant Program, administered by MEA, is established in statute to provide grants to individuals, local governments, and businesses for a portion of the costs of acquiring and installing photovoltaic property and solar water heating property. Grants awarded under the program may not be more than (1) for photovoltaic property (with an installed electricity generation capacity of 20 kW or less), the lesser of $2,500 per kilowatt of installed electricity generation capacity or $10,000, and (2) for solar water heating property, the lesser of $3,000 or 30% of the total installed cost of the solar water heating property. Subject to those limitations, MEA may adjust the grant amounts to reflect market conditions and the prevailing prices of photovoltaic and solar water heating property.

MEA does not currently award grant funding under the Solar Energy Grant Program, however. Regulations implementing the Solar Energy Grant Program and the Geothermal Heat Pump Grant Program (a similar grant program, providing funding for geothermal heat pump technology) were repealed in 2013 and replaced with regulations for the Clean Energy Grant Program, established under the authority of the Strategic Energy Investment Program statute. Under the current regulations, the Clean Energy Grant Program provides grants to homeowners, businesses, nonprofit organizations, and the State or local governments for "clean energy conversion systems," which include solar and geothermal technologies. Under the program, MEA currently offers residential incentives for solar photovoltaic and solar water heating property of $1,000 per project and $500 per project, respectively.

The Strategic Energy Investment Program and SEIF

The Strategic Energy Investment Program has the stated purpose of decreasing energy demand and increasing energy supply to promote affordable, reliable, and clean energy to fuel Maryland's future prosperity. The program is supported by SEIF, which receives, among other funding, proceeds from the auction of carbon allowances to power plants and other market participants under RGGI. SEIF may be used for, among other things, grants, loans, and other assistance and investment to implement the purposes of the Strategic Energy Investment Program. MEA's residential and commercial clean energy grant programs, which provide grants to homeowners and businesses for solar photovoltaics, solar water heating, geothermal heating and cooling, and wind conversion technologies, receive $2.3 million ($1.9 million – residential; $350,000 – commercial) under MEA's spending plan for the fiscal 2018 budget and receive $1.8 million ($1.4 million – residential; $350,000 – commercial) under MEA's spending plan for the Governor's proposed fiscal 2019 budget.

For more information on SEIF funding, please see the Department of Legislative Services' analysis of the Governor's proposed fiscal 2019 operating budget for MEA.

Local Fiscal Effect: Local government revenues from SEIF grants, and corresponding spending of those grants, may be affected by the bill's requirement that Solar Energy Grant Program provisions be complied with when awarding solar grants from SEIF using proceeds received by the fund from the sale of carbon allowances under RGGI. This requirement may limit the types of solar grant programs (*i.e.*, the allowable dollar amounts and uses of individual grants) that can be funded by SEIF, which may change the extent to which available grants meet local government needs and limit the amount of grant funding that local governments are able to take advantage of.

SEIF funds certain grant programs, that are focused on (or can be used for) solar installation, which support larger scale installations. Under MEA's proposed spending plan for fiscal 2019, those programs are funded by finite, nonRGGI funding that will be almost depleted after fiscal 2019. Presumably, in the absence of the bill, those programs, or similar programs supporting larger scale installations, could be funded by ongoing RGGI funding in future years. Under the bill, however, it appears that all solar grants supported by RGGI funding in SEIF are subject to the applicable individual grant amount ceilings established by the bill (ranging from $2,000 to $10,000) and are generally limited to smaller scale installations.

Any impact on local government grant revenues and expenditures from restrictions on SEIF solar grant funding, however, may be mitigated to the extent funding is shifted to, or otherwise available under, other SEIF renewable energy programs that are not subject to the same restrictions and can meet local government needs.

Small Business Effect: While the bill does not require any changes in the amount of State funding allocated toward solar grants, the bill's changes in the requirements applicable to the amounts and types of individual grants awarded likely have a meaningful impact on small businesses in the solar industry to the extent they result in (1) any increased or decreased incentive for any potential recipients of SEIF grant funding to go forward with an installation and/or (2) changes in the ongoing availability of grant funding (*e.g.*, if larger individual grants are awarded under the bill for smaller scale installations and, as a result, available funding for those grants only lasts for a portion of each fiscal year). MEA indicates that periodic exhaustion of grant funding each year and resulting periods of unavailability of funding can have an adverse industry impact.

Additional Information

Prior Introductions: None.

Cross File: Although SB 879 (Senator Feldman – Finance) is designated as a cross file, it is not identical.

Information Source(s): Maryland Energy Administration; MDV-SEIA; Department of Legislative Services

Fiscal Note History: First Reader - February 27, 2018
mm/lgc Third Reader - March 27, 2018
Revised - Amendment(s) - March 27, 2018

Analysis by: Scott D. Kennedy

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