HB 853

Department of Legislative Services

Maryland General Assembly
2020 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 853 (Chair, Economic Matters Committee)(By Request - Departmental - Maryland Energy Administration)

Economic Matters Rules

Local Government - Clean Energy Loan Programs - Grid Resilience Projects

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This departmental bill expands the types of projects that may be financed under a clean energy loan program enacted by a county or municipality, by adding grid resilience projects when installed with energy efficiency projects or renewable energy projects. The bill requires eligibility requirements for grid resilience measures under a program to be established by the local ordinance or resolution that establishes a clean energy loan program.

Fiscal Summary

State Effect: The bill is not expected to materially affect State finances.

Local Effect: The bill is not expected to materially affect local government finances since current programs – while utilizing the county property tax bill for debt service – are financed through private lenders.

Small Business Effect: The Maryland Energy Administration (MEA) has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs that the bill does not negatively impact small businesses, but notes that the bill may have a meaningful positive impact on small business property owners and small business contractors, to the extent the bill allows for grid resilience projects to be undertaken that may otherwise be financed on less favorable terms or not undertaken at all. (The attached assessment does not reflect amendments to the bill.)

Analysis

Current Law: A county or municipality may enact an ordinance or a resolution to establish a clean energy loan program. The purpose of a program is to provide loans to residential property owners, including low-income residential property owners, and commercial property owners, to finance energy efficiency projects and renewable energy projects. A private lender may provide capital for a loan provided to a commercial property owner under the program. "Commercial property" is defined as real property that is (1) not designed principally or intended for human habitation or (2) used for human habitation and is improved by more than four single-family dwelling units.

A clean energy loan program must require a property owner to repay a loan under the program through a surcharge on the owner's property tax bill. A person who acquires property subject to a surcharge assumes the obligation to pay the surcharge. A county or municipality may not set a surcharge greater than an amount that allows the county or municipality to recover the costs associated with (1) issuing bonds to finance the loan and (2) administering the program. However, with respect to commercial property, with the express consent of any holder of a mortgage or deed of trust on a commercial property that is to be improved through a loan to the commercial property owner under the program:

- a county or municipality may collect loan payments owed to a private lender or to the county or the municipality for a loan to a commercial property owner, and costs associated with administering the program, through a surcharge on the property owners' property tax bill;
- an unpaid surcharge is, until paid, a lien on the real property on which it is imposed from the date it becomes payable; and
- specified statutory provisions that apply to a tax lien also apply to a lien created by an unpaid surcharge.

Background: The programs currently operated under the authority granted to counties and municipalities to establish clean energy loan programs are referred to as C-PACE (Commercial Property Assessed Clean Energy) programs. The Maryland Clean Energy Center (MCEC) indicates that the current C-PACE programs are at the county (as opposed to municipal) level, focused on projects on commercial properties, and financed through private lenders. As mentioned above, the statutory authority for loans to be financed through private lenders is limited to commercial properties.

MCEC indicates that 18 counties currently have C-PACE programs. Sixteen of the counties utilize MD-PACE, sponsored by MCEC, to administer their programs, while Montgomery and Prince George's counties administer their programs separately. MD-PACE allows counties to join a statewide, standardized C-PACE program administered by a third-party that works with local tax collectors to accommodate MD-PACE on the tax bill and receives revenue through closing and servicing fees for C-PACE projects.

MEA indicates that grid resilience projects (1) provide electricity for the system owner during electric outages; (2) limit economic and productivity losses for residents, businesses, and the State; and (3) reduce the number of customers without access to electricity after natural disasters.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): Maryland Energy Administration; Maryland Clean Energy Center; Baltimore City; Montgomery, Prince George's, Washington, and Worcester counties; Town of Leonardtown; cities of Salisbury and Westminster; Maryland Association of Counties; Maryland Municipal League; Department of Legislative Services

Fiscal Note History: First Reader - February 26, 2020
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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Local Government - Grid Resilience Projects

BILL NUMBER: HB0853

PREPARED BY: Landon Fahrig

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

_X_ WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

OR

___ WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS