Department of Legislative Services

Maryland General Assembly
2021 Session

FISCAL AND POLICY NOTE
First Reader - Revised

Senate Bill 148 (Senators West and Feldman)

Finance and Education, Health, and Environmental Affairs

Electric Generation – Transition From Fossil Fuels – Carbon Dioxide Emissions Rate and Transition Plan and Fund (Maryland Coal Community Transition Act of 2021)

This bill establishes a limit for carbon dioxide (CO_2) emissions for electric generating units in the State that primarily burn coal; the limit is phased-in for specified units. Relatedly, the bill establishes the Fossil Fuel Community Transition Fund (FFCTF) in the Maryland Department of Labor (MDL) to provide grants to support (1) displaced workers; (2) impacted communities; and (3) displaced worker assistance programs. The bill also establishes a related advisory council, staffed by MDL, subject to specified requirements and procedures, including the development of a Statewide Fossil Fuel Reduction Plan. From fiscal 2022 through 2024, $13.3 million must be transferred from the Strategic Energy Investment Fund (SEIF) to FFCTF. **The bill takes effect June 1, 2021.**

Fiscal Summary

State Effect: Likely no material effect in FY 2021. General fund expenditures for MDL increase by $479,400 in FY 2022 and by similar amounts thereafter, as discussed below. Special fund revenues for FFCTF increase by $13.3 million annually from FY 2022 through 2024. Special fund expenditures for FFCTF increase beginning in FY 2022 as funds are used for authorized purposes. Overall special fund expenditures for SEIF are not affected, but diverting funds to FFCTF decreases revenues available for other SEIF-funded programs.

Local Effect: Potential significant decrease in local property tax revenues beginning in FY 2022 for affected counties, partially offset by grants, as discussed below. **This bill may impose a mandate on a unit of local government.**

Small Business Effect: Potential meaningful.

Analysis

Bill Summary:

Carbon Dioxide Limit – Coal Power Plants

A CO_2 emissions limit of 180 pounds per million British thermal units (BTU) applies to each generating unit in the State that primarily burns coal as fuel. For particular generating units, the requirement is phased in from June 1, 2021, to March 1, 2030, as specified:

- on and after June 1, 2021, Chalk Point Units 1 and 2 (Prince George's County);
- on and after October 1, 2024, Morgantown Units 1 and 2 (Charles County);
- on and after December 31, 2025, Brandon Shores Units 1 and 2 and H.A. Wagner Unit 3 (Anne Arundel County); and
- on and after March 1, 2030, Warrior Run Unit 1 (Allegany County).

Fossil Fuel Community Transition Fund

FFCTF is established in MDL as a special, nonlapsing fund. MDL must establish policies and procedures for the administration of FFCTF, which consists of revenue distributed from SEIF ($13.3 million annually from fiscal 2022 through 2024), money appropriated in the State budget, and any other money from any other source. The purpose of FFCTF is to provide grants to support:

- displaced workers, as defined, who are transitioning from employment with a fossil fuel electric generating unit;
- communities that are impacted by the permanent retirement of a fossil fuel electric generating unit; and
- programs that assist displaced workers transitioning from employment with a fossil fuel electric generating unit, a coal mine, or the transportation supply chain of a fossil fuel electric generating unit or a coal mine.

To that end, FFCTF may be used only for awarding grants consistent with the purposes of the fund and must be allocated as specified. Broadly, 50% must be allocated for displaced workers and related purposes, 30% for specified clean energy and energy efficiency projects in affected counties, and 20% directly to affected counties to offset tax revenue lost from electric generating unit closures in the three years following such closures.

Individuals responsible for projects that receive a grant must meet specified union-related requirements in their hiring practices.

The bill establishes related ongoing reporting requirements for MDL and owners of affected electric generating units.

Fossil Fuel Transition Advisory Council and Statewide Fossil Fuel Transition Plan

The Fossil Fuel Transition Advisory Council is established, consisting of specified members, and staffed by MDL. Council members may not receive compensation as members but are entitled to reimbursement for travel expenses. The council must meet at least twice each year to review MDL's proposals for grant awards from FFCTF and make recommendations to MDL concerning any proposed grant award. MDL must consider the council's recommendations when making decisions about awarding grants from FFCTF.

The council must develop (1) a standard statewide organizing neutrality agreement that can be used by employers who receive funds from FFCTF and the employees who want to enter into a collective bargaining agreement and (2) a statewide fossil fuel transition plan. At a minimum, the statewide fossil fuel transition plan must meet several specified requirements; for example, the plan must:

- identify or estimate, to the extent practicable, the timing and location of facility closures and job layoffs in fossil fuel industries affecting at least 50 workers at a single site of employment and their impact on affected workers and businesses;
- address how the State can most effectively respond to the above economic dislocations; and
- identify programs and projects that will advance economic development opportunities in communities historically overburdened by pollution from fossil fuels.

The council must submit a draft plan to the General Assembly by December 31, 2021; a final plan is due by December 31, 2022.

Current Law:

Greenhouse Gas Emissions Reduction Act

The Greenhouse Gas Emissions Reduction Act, originally enacted in 2009 and made permanent and expanded in 2016, was enacted in light of Maryland's particular vulnerability to the impacts of climate change. Under the Act, the State was required to develop plans, adopt regulations, and implement programs to reduce greenhouse gas (GHG) emissions by 25% from 2006 levels by 2020 and must further reduce GHG emissions by 40% from 2006 levels by 2030; the 2030 reduction requirement terminates December 31, 2023.

Regional Greenhouse Gas Initiative

Maryland participates in the multistate Regional Greenhouse Gas Initiative (RGGI) in order to reduce CO_2 emissions from the power sector. Each participating state limits CO_2 emissions from electric power plants, issues CO_2 allowances, and establishes participation in CO_2 allowance auctions. A single CO_2 allowance represents a limited authorization to emit one ton of CO_2.

Strategic Energy Investment Fund

Chapters 127 and 128 of 2008 established SEIF primarily to contain revenue generated from the sale of CO_2 emission allowances under RGGI. The allocation of revenue has been altered several times in budget reconciliation legislation. The current allocation requires (1) at least 50% for energy assistance; (2) at least 20% for energy efficiency and conservation (at least one-half for low- and moderate-income programs); (3) at least 20% for renewable and clean energy, energy-related education and outreach, resiliency, and climate change programs; and (4) up to 10%, but no more than $5.0 million for administrative expenses.

State Fiscal Effect: Special fund revenues for FFCTF increase by $13.3 million annually in fiscal 2022 through 2024 from SEIF transfers; the transfer in fiscal 2022 is discretionary, while the fiscal 2023 and 2024 transfers are mandatory. Special fund expenditures for FFCTC increase in total by $39.9 million as available funding is awarded, although the timing of such expenditures is unknown.

The bill specifies that FFCTF funds may be used only for awarding grants consistent with the purposes of the fund. In the absence of clear authorization to use FFCTC for administrative expenses, this analysis assumes that general funds are used. To the extent that FFCTF can be used for MDL's administrative expenses, general fund expenditures for MDL decrease and less programmatic funding for FFCTF is available.

Therefore, general fund expenditures increase by $479,404 in fiscal 2022, which accounts for a 30-day start-up delay. This estimate reflects the cost of hiring three grant program managers and two registered apprenticeship managers to implement the bill's ongoing grant programs. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses. MDL indicates that nine existing staff will also be required to assist with implementation of the bill on a part-time basis. This estimate does not include any allocation of costs associated with that assistance.

Positions	5.0
Salaries and Fringe Benefits	$450,679
Operating Expenses	28,725
Total FY 2022 MDL Expenditures	**$479,404**

Future year expenditures reflect salaries with annual increases and employee turnover and ongoing operating expenses.

Strategic Energy Investment Fund

Overall SEIF expenditures are not affected; however, funding available for existing SEIF programs is reduced by $39.9 million from fiscal 2022 through 2024. Holding Maryland Energy Administration administrative expenses constant and allocating the funds across the remaining standard distribution, approximately $22.2 million less is available for energy assistance, $8.9 million less is available for energy efficiency and conservation, and $8.9 million less is available for renewable and clean energy initiatives over those three fiscal years. Some of that funding would have gone to other State agencies – special fund revenues and expenditures for those agencies decrease accordingly.

Local Fiscal Effect: To the extent that the bill's cap on carbon emissions from affected electric generating units results in the closure of these facilities, there is a significant decrease in annual property tax revenues for affected counties. The distinction of whether or not *the bill* causes the closure of the facilities is important, since coal generation has been decreasing over time and many plants are aging out of their useful operating lifespans: some or all of the coal generating units listed in the bill may close due to circumstances unrelated to the bill.

The loss in property tax revenues – whether caused directly by the bill or not – is partially offset by grants provided to the affected counties from FFCTF; however, there is significantly less funding available (about $8.0 million in total for direct aid) than the counties collect on an annual basis from property taxes from the affected electric generating units. Additionally, funding from FFCTF for payments to affected counties is only available for up to three years following the permanent retirement of an electric generating unit.

For context only, the Brandon Shores Units 1 and 2 and H.A. Wagner Unit 3 in Anne Arundel County generate approximately $5.7 million in local tax revenues annually. Chalk Point in Prince George's County accounts for about $4.4 million in local tax revenues, although that is for the entire facility (only Units 1 and 2 are coal). The county did not provide an estimate of revenues associated with just Units 1 and 2. Charles County has likewise advised in the past that the Morgantown Plant generates approximately $8.5 million in local revenues annually.

It is uncertain how the SEIF transfers affect specific program allocations funded by SEIF; however, the transfers may reduce funding available to some local governments under existing or future financial assistance programs.

Small Business Effect: Similar to the effect on local governments, the redirection of SEIF revenues and expenditures may reduce funding for existing or future financial assistance programs funded through the affected SEIF accounts that are available to small businesses or that fund projects supported by small businesses. However, new funding opportunities may be available for some small businesses from FFCTF. The directly affected power plants themselves are not small businesses.

Additional Comments: According to the U.S. Energy Information Administration, coal emits about 215 to 230 pounds of CO_2 per million BTU, depending on the type of coal.

Additional Information

Prior Introductions: None.

Designated Cross File: HB 66 (Delegates Brooks and Barve) - Economic Matters.

Information Source(s): Maryland Department of Labor; Maryland Energy Administration; Public Service Commission; Office of People's Counsel; Comptroller's Office; Anne Arundel, Charles, Montgomery, and Prince George's counties; Maryland Association of Counties; U.S. Energy Information Administration; Department of Legislative Services

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