

**DA13**  
**Maryland Energy Administration – Capital**

***Capital Budget Summary***

---

**Grant and Loan Programs**  
**(\$ in Millions)**

|                                              | <i><b>FY 2012<br/>Approp.</b></i> | <i><b>FY 2013<br/>Approp.</b></i> | <i><b>FY 2014<br/>Allowance</b></i> | <i><b>Percent<br/>Change</b></i> | <i><b>DLS<br/>Recommd.</b></i> |
|----------------------------------------------|-----------------------------------|-----------------------------------|-------------------------------------|----------------------------------|--------------------------------|
| The Jane E. Lawton Conservation Loan Program | \$2.500                           | \$1.750                           | \$1.750                             | 0.0%                             | \$1.750                        |
| State Agency Loan Program                    | 4.060                             | 2.500                             | 1.900                               | -24.0%                           | 1.900                          |
| Maryland Energy Efficiency Grant Program     | 0.000                             | 0.000                             | 11.700                              | n/a                              | 2.700                          |
| <b>Total</b>                                 | <b>\$6.560</b>                    | <b>\$4.250</b>                    | <b>\$15.350</b>                     | <b>261.2%</b>                    | <b>\$6.350</b>                 |

Note: The amounts listed for fiscal 2012 represent the appropriated levels, not the level of actual expenditures. Budget amendments are included in the appropriation level.

## Summary of Issues

---

**Few Loans Awarded through the Jane E. Lawton Conservation Loan Program:** The Maryland Energy Administration (MEA) has struggled in recent years to develop a project list that would allow MEA to encumber and expend funds in the Jane E. Lawton Conservation Loan Program (JELLP) equal to the level of appropriation. The 2013 *Capital Improvement Program* (CIP) recognized the difficulties in awarding these loans by reducing planned out-year spending. In fiscal 2012, MEA's project list equaled only 41.7% of the appropriation. Through January 2013, MEA's applications and projects under consideration, if all are accepted, would allow the agency to encumber 75.5% of the fiscal 2013 appropriation.

## Summary of Recommended PAYGO Actions

---

|                                                                                                                                                                                                                  | <u>Funds</u>       |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|
| 1. The Jane E. Lawton Conservation Loan Program – Capital Appropriation                                                                                                                                          |                    |
| Adopt committee narrative requesting that the Maryland Energy Administration begin an application process to allow for the development of a project list that will be available with the budget bill submission. |                    |
| 2. State Agency Loan Program – Capital Appropriation                                                                                                                                                             |                    |
| Concur with Governor's allowance for the State Agency Loan Program.                                                                                                                                              |                    |
| 3. Maryland Energy Efficiency Grant Program                                                                                                                                                                      |                    |
| Add language to restrict funding provided for electric vehicle infrastructure to be used instead for emergency generation.                                                                                       |                    |
| 4. Maryland Energy Efficiency Grant Program                                                                                                                                                                      | \$9,000,000 GF     |
| Delete funds for the Commercial and Industrial Deep Retrofit Grant program.                                                                                                                                      |                    |
| <b>Total Reductions</b>                                                                                                                                                                                          | <b>\$9,000,000</b> |

## ***Program Description***

---

**Program Description:** MEA administers two revolving loan programs. Chapters 466 and 467 of 2008 created the JELLP, which consolidated two formerly separate programs (the Community Energy Loan Program and the Energy Efficiency and Economic Development Loan Program). The JELLP supports energy efficiency and conservation projects for nonprofits, local government agencies, and businesses through low interest-rate loans. The second loan program, the State Agency Loan Program (SALP), provides zero-interest loans with a 1% administrative fee to State agencies for energy conservation projects, primarily in partnership with energy performance contracts.

These programs were initially capitalized with funds from the Energy Overcharge Restitution Fund; the JELLP received these funds in 1989 and 1990 and the SALP in 1991 and 1997. The JELLP and the SALP also received an infusion of additional funds in fiscal 2009 from the Strategic Energy Investment Fund (SEIF), which primarily receives revenue from the Regional Greenhouse Gas Initiative carbon dioxide emission allowance auctions. The SEIF was also available to the JELLP in fiscal 2010. The SALP also received additional capitalization from the State Energy Program funds available from the American Recovery and Reinvestment Act of 2009 (ARRA), approximately \$7.0 million.

Through fiscal 2012, the Department of Budget and Management (DBM) reports that the JELLP and its predecessor programs have made 70 loans totaling \$19.8 million to 36 nonprofit organizations, 29 local governments, and 5 businesses. These loans have generated savings totaling \$51.6 million. DBM also reports that, through fiscal 2012, the SALP has made 82 loans totaling \$28.6 million to State agencies. MEA reports that these loans have generated savings of \$39.4 million.

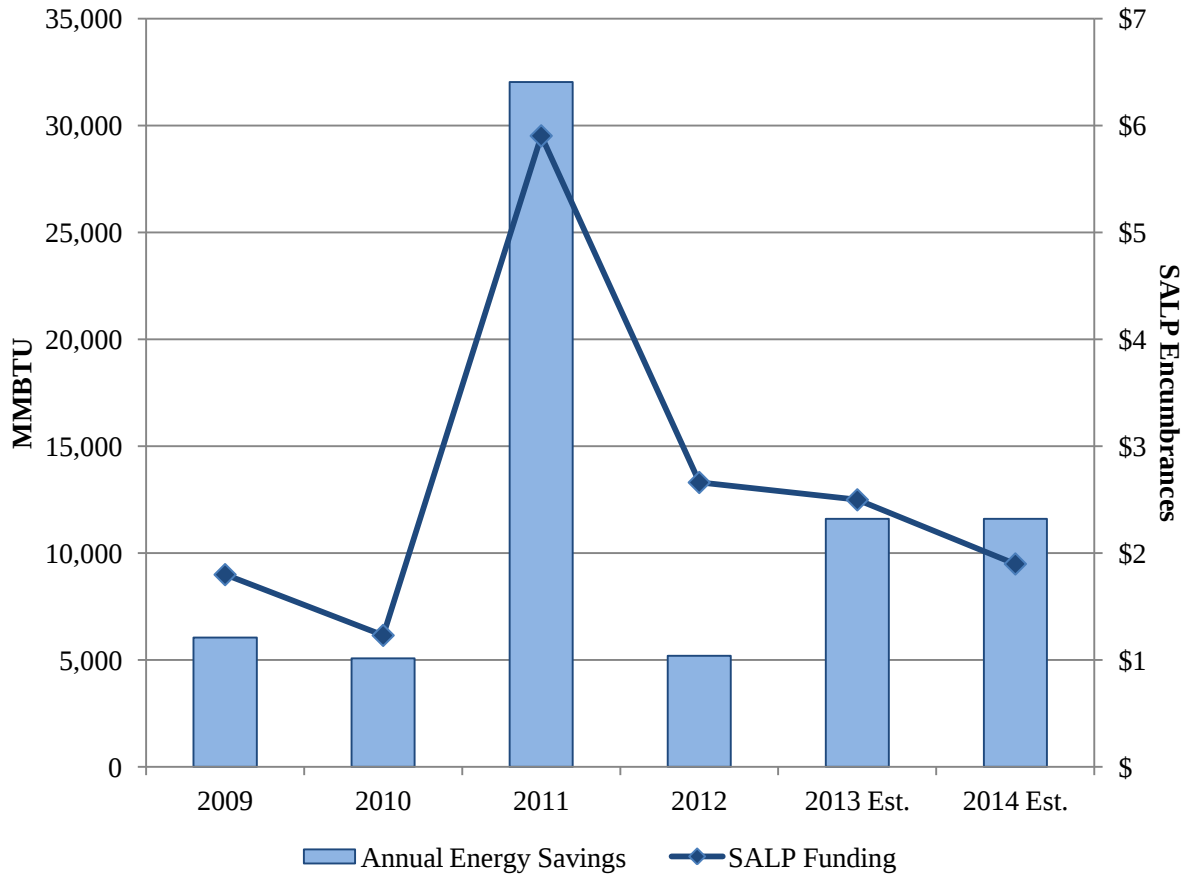
The fiscal 2014 allowance includes one new program, the Maryland Energy Efficiency Grant Program; no funding is included in the 2013 CIP beyond that year for this program.

## ***Program Performance Measures and Outputs***

---

In recent years, the energy savings resulting from SALP and JELLP loans has generally followed the trend of SALP and JELLP encumbrances in that year, as shown in **Exhibits 1** and **2**. However, there is no specific relationship between the energy savings resulting from a specific level of encumbrances. Therefore, while energy savings typically decline when encumbrances decrease or increase, when encumbrances increase, the change in energy savings sometimes appears disproportionate to the degree of change in encumbrances. For example, energy savings from SALP loans in fiscal 2010 and 2012 were very similar while SALP encumbrances in fiscal 2012 were \$1.4 million higher than in fiscal 2010. The level of energy savings and funding requirements are impacted by the specific energy efficiency measures installed and even the type of system that is being replaced (*e.g.*, an older system may be less efficient now than it was new, so a new system will produce even larger savings than it might otherwise produce). Future estimates of savings are based on historical averages, which impact how closely these trends follow the planned funding.

**Exhibit 1**  
**State Agency Loan Program Energy Savings vs. Encumbrances**  
**Fiscal 2009-2014**  
**(\$ in Millions)**



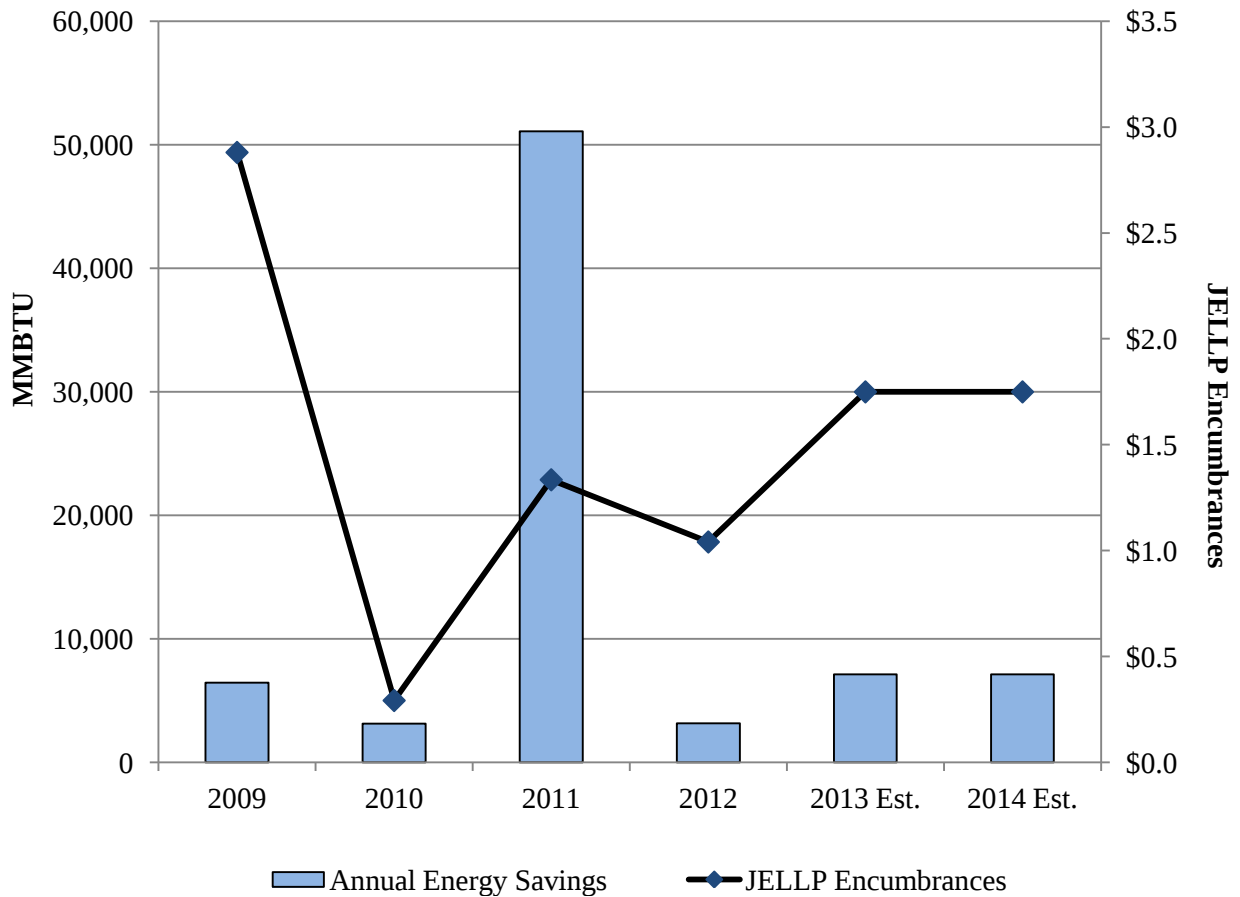
MMBTU: Million British Thermal Units

SALP: State Agency Loan Program

Note: Savings and encumbrances do not account for all cancelled encumbrances, potentially distorting both encumbrances and energy savings.

Source: Maryland Energy Administration; Governor's Budget Books

**Exhibit 2**  
**Jane E. Lawton Conservation Loan Program Energy Savings vs. Encumbrances**  
**Fiscal 2009-2014**  
**(\$ in Millions)**



JELLP: Jane E. Lawton Conservation Loan Program  
MMBTU: Million British Thermal Units

Note: Savings and encumbrances do not account for all cancelled encumbrances, potentially distorting both encumbrances and energy savings.

Source: Maryland Energy Administration; Governor's Budget Books

## ***Capital Improvement Program***

### **Grant and Loan Capital Improvement Program Authorization Uses (\$ in Millions)**

| <b><i>Program</i></b>                        | <b><i>2012<br/>Approp.</i></b> | <b><i>2013<br/>Approp.</i></b> | <b><i>2014<br/>Request</i></b> | <b><i>2015<br/>Estimate</i></b> | <b><i>2016<br/>Estimate</i></b> | <b><i>2017<br/>Estimate</i></b> | <b><i>2018<br/>Estimate</i></b> |
|----------------------------------------------|--------------------------------|--------------------------------|--------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| The Jane E. Lawton Conservation Loan Program | \$2.500                        | \$1.750                        | \$1.750                        | \$1.750                         | \$1.750                         | \$1.750                         | \$1.750                         |
| State Agency Loan Program                    | 4.062                          | 2.500                          | 1.900                          | 2.000                           | 2.250                           | 2.450                           | 2.500                           |
| Maryland Energy Efficiency Grant Program     | 0.000                          | 0.000                          | 11.700                         | 0.000                           | 0.000                           | 0.000                           | 0.000                           |
| <b>Total</b>                                 | <b>\$6.562</b>                 | <b>\$4.250</b>                 | <b>\$15.350</b>                | <b>\$3.750</b>                  | <b>\$4.000</b>                  | <b>\$4.200</b>                  | <b>\$4.250</b>                  |

### **Authorization Sources (\$ in Millions)**

| <b><i>Fund Source</i></b> | <b><i>2012<br/>Approp.</i></b> | <b><i>2013<br/>Approp.</i></b> | <b><i>2014<br/>Request</i></b> | <b><i>2015<br/>Estimate</i></b> | <b><i>2016<br/>Estimate</i></b> | <b><i>2017<br/>Estimate</i></b> | <b><i>2018<br/>Estimate</i></b> |
|---------------------------|--------------------------------|--------------------------------|--------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| PAYGO GF                  | \$0.000                        | \$0.000                        | \$11.700                       | \$0.000                         | \$0.000                         | \$0.000                         | \$0.000                         |
| PAYGO SF                  | 5.000                          | 4.250                          | 2.950                          | 2.900                           | 3.050                           | 3.150                           | 3.050                           |
| PAYGO FF                  | 1.562                          | 0.000                          | 0.700                          | 0.850                           | 0.950                           | 1.050                           | 1.200                           |
| <b>Total</b>              | <b>\$6.562</b>                 | <b>\$4.250</b>                 | <b>\$15.350</b>                | <b>\$3.750</b>                  | <b>\$4.000</b>                  | <b>\$4.200</b>                  | <b>\$4.250</b>                  |

Note: The Maryland Energy Administration (MEA) intends to begin reporting the American Recovery and Reinvestment Act of 2009 (ARRA) funds received through loan repayments in the State Agency Loan Program (SALP) as federal funds in fiscal 2013; however, the current appropriation of the SALP does not reflect that change. As a result, for purposes of this exhibit, MEA's federal fund appropriation from repaid ARRA loan funds does not appear until fiscal 2014.

## ***Budget Overview***

---

MEA's fiscal 2014 pay-as-you-go (PAYGO) allowance totals \$15.35 million, an increase of \$11.1 million compared to the fiscal 2013 working appropriation. The total funding is composed of:

- \$11.7 million for a new grant program (the Maryland Energy Efficiency Grant Program);
- \$1.9 million for the SALP; and
- \$1.75 million for the JELLP.

The fiscal 2014 allowance includes \$3.65 million from the respective revolving loan funds to support the JELLP and the SALP and \$11.7 million of general funds for the new grant program. The 2013 CIP contains no planned transfers into either the JELLP or the SALP; therefore, the loan programs must be self-supporting through the planning period.

ARRA requirements (such as Davis Bacon wage requirements and historical and environmental reviews) will continue to follow ARRA funds invested in the SALP as the original loans are repaid and the loan repayments are recycled into new loans. In recognition of the need to follow ARRA requirements for loans made with the recycled ARRA, MEA has begun to separately track special and federal loan fund balances for the SALP. The need to separately track the former ARRA funds now being repaid has also led MEA to have both a special (\$1.2 million) and federal (\$0.7 million) appropriation for the SALP in the fiscal 2014 allowance, both consisting of the loan fund balances.

### **2013 CIP Compared to 2012 CIP**

#### **JELLP**

Although the JELLP is level funded in the fiscal 2014 allowance compared to the fiscal 2013 working appropriation, the fiscal 2014 allowance for the JELLP is lower than was planned in the 2012 CIP for that year. The fiscal 2013 budget as introduced provided \$2.5 million for the JELLP, and the 2012 CIP planned that level of funding for the JELLP through fiscal 2017. However, due to the ongoing difficulties of MEA in awarding JELLP loans (further discussed in Issue 1), the JELLP fiscal 2013 appropriation was reduced by the General Assembly to \$1.75 million. The 2013 CIP plans to fund the JELLP at the new lower level through fiscal 2018.

#### **SALP**

The 2012 CIP provided \$2.5 million for the SALP through fiscal 2017, the level of the fiscal 2013 budget, which was to be supported entirely through the special funds from the revolving loan account. However, as recognized during the 2012 session, the SALP loan fund balance was beginning to dwindle and was anticipated to fall to a low of \$9,747 in fiscal 2014. The anticipated

limited loan fund balance called into question whether the agency would have sufficient loan fund balance to support this level of spending if revenues were not received at the expected levels. The 2013 CIP eliminates these concerns on the special fund side by revising the revenue estimates and lowering the planned SALP loan levels in each year of the CIP. The combination of the lower than expected loan activity in fiscal 2012 and reducing the planned expenditures in the out-years has improved the outlook for the SALP special fund balance. The federal loan fund balance is forecasted to fall below \$0 in fiscal 2015 and 2016; however, because the balance is tracked on an encumbrance basis rather than a cash basis, MEA will not necessarily experience a negative cash balance in these years. Although the fund balance situation is expected to improve by fiscal 2017, the federal fund balance situation bears continued monitoring. As shown in **Exhibit 3**, the total loan fund balance is now forecasted to remain above \$500,000 in all years.

Through January 8, 2013, MEA had executed one fiscal 2013 loan, totaling \$1.5 million, with the University of Maryland, College Park for an energy performance contract (EPC) related to the athletic facilities. Another \$800,000 is expected to be used for various projects of the Department of General Services; however, the loan had not yet been executed for this project, and no specific project commitments have been made.

In fiscal 2013, MEA received a three-year competitive grant focused on improving energy efficiency in State buildings. MEA received 1 new regular position to support this project during the three-year grant term. The focus of the grant is on energy efficiency projects for small and medium sized State buildings unlikely to participate in an EPC. The goals of the project are to educate State agencies on incentives and financing available for energy efficiency retrofits, encourage State agencies to undertake these projects, and to conduct energy audits. **MEA should comment on how it intends to use this new grant to increase participation in the SALP. MEA should also discuss any other plans of the agency to encourage State agency participation in the SALP in fiscal 2014.**

**Exhibit 3**  
**State Agency Loan Program Revolving Loan Fund Summary**  
**Fiscal 2011-2018**

|                                            | <u>Actual</u><br><u>2011</u> | <u>Actual</u><br><u>2012</u> | <u>Working</u><br><u>Approp.</u><br><u>2013</u> | <u>Est.</u><br><u>2014</u> | <u>Est.</u><br><u>2015</u> | <u>Est.</u><br><u>2016</u> | <u>Est.</u><br><u>2017</u> | <u>Est.</u><br><u>2018</u> |
|--------------------------------------------|------------------------------|------------------------------|-------------------------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| <b>Beginning Balance</b>                   | \$384,795                    | \$2,793,764                  | \$1,254,383                                     | \$637,276                  | \$635,208                  | \$595,407                  | \$600,241                  | \$618,381                  |
| <b>Revenue</b>                             |                              |                              |                                                 |                            |                            |                            |                            |                            |
| Loan Repayment                             | \$1,042,699                  | \$855,939                    | \$1,791,176                                     | \$1,801,962                | \$1,882,936                | \$2,150,550                | \$2,341,389                | \$2,351,840                |
| Investment Interest                        | 185,409                      | 95,159                       | 47,358                                          | 67,909                     | 88,950                     | 112,284                    | 138,251                    | 165,334                    |
| Transfer In (Out)                          |                              |                              |                                                 |                            |                            |                            |                            |                            |
| Other Funds                                | 6,962,075                    | 0                            | 0                                               | 0                          | 0                          | 0                          | 0                          | 0                          |
| Closing Fees                               |                              |                              |                                                 |                            |                            |                            |                            |                            |
| Collected                                  | 0                            | 0                            | 74,359                                          | 58,061                     | 18,313                     | 22,000                     | 18,500                     | 21,500                     |
| Cancellation of                            |                              |                              |                                                 |                            |                            |                            |                            |                            |
| Encumbrances                               | 150,000                      | 200,000                      | 0                                               | 0                          | 0                          | 0                          | 0                          | 0                          |
| <b>Total Revenue</b>                       | <b>\$8,340,183</b>           | <b>\$1,151,098</b>           | <b>\$1,912,893</b>                              | <b>\$1,927,932</b>         | <b>\$1,990,199</b>         | <b>\$2,284,834</b>         | <b>\$2,498,140</b>         | <b>\$2,538,674</b>         |
| <b>Total Available</b>                     | <b>\$8,724,978</b>           | <b>\$3,944,862</b>           | <b>\$3,167,276</b>                              | <b>\$2,565,208</b>         | <b>\$2,625,407</b>         | <b>\$2,880,241</b>         | <b>\$3,098,381</b>         | <b>\$3,157,055</b>         |
| <b>Expenditures and Encumbrances</b>       |                              |                              |                                                 |                            |                            |                            |                            |                            |
| Loans                                      | \$5,905,000                  | \$2,662,075                  | \$2,500,000                                     | \$1,900,000                | \$2,000,000                | \$2,250,000                | \$2,450,000                | \$2,500,000                |
| Operating                                  |                              |                              |                                                 |                            |                            |                            |                            |                            |
| Expenses                                   | 26,213                       | 28,404                       | 30,000                                          | 30,000                     | 30,000                     | 30,000                     | 30,000                     | 30,000                     |
| <b>Total Expenditures and Encumbrances</b> | <b>\$5,931,213</b>           | <b>\$2,690,479</b>           | <b>\$2,530,000</b>                              | <b>\$1,930,000</b>         | <b>\$2,030,000</b>         | <b>\$2,280,000</b>         | <b>\$2,480,000</b>         | <b>\$2,530,000</b>         |
| <b>Ending Balance</b>                      | <b>\$2,793,764</b>           | <b>\$1,254,383</b>           | <b>\$637,276</b>                                | <b>\$635,208</b>           | <b>\$595,407</b>           | <b>\$600,241</b>           | <b>\$618,381</b>           | <b>\$627,055</b>           |

Note: Fiscal 2011 transfers reflect the American Recovery and Reinvestment Act of 2009 (ARRA) funds made available to the program. A portion of the ARRA funds were not spent in fiscal 2011 (\$1.6 million) and were brought in by budget amendment to be used in fiscal 2012. Closing fees beginning in fiscal 2013 represent the repayment of the 1% administrative fee on loans made with ARRA funding. MEA indicates that typically the administrative fee repayment is included in the loan repayment schedule, but for ARRA loans, the administrative fee is no longer considered ARRA funds upon repayment, unlike the regular repayment. The administrative fee for the ARRA loans becomes part of the special fund upon repayment.

Source: Maryland Energy Administration; Department of Budget and Management

## **New Maryland Energy Efficiency Grant Program**

The fiscal 2014 allowance includes general funds to support a one-time PAYGO program in MEA. The program, referred to as the Maryland Energy Efficiency Grant program, consists of three components:

- Commercial and Industrial Deep Retrofit Grant program (\$9.0 million);
- Maryland Emergency Generation Grant program (\$1.7 million); and
- Electric Vehicle Charging Stations at the Maryland Area Regional Commuter (MARC) and Metrorail Stations program (\$1.0 million).

The Commercial and Industrial Deep Retrofit Grant program funding will be distributed through a competitive grant process. A variety of commercial and industrial sectors would be eligible for funding through this program, such as commercial office buildings, retail buildings, restaurants, and health care facilities. To receive a grant, the recipient would be required to complete energy efficiency upgrades in at least two of the following areas: (1) lighting; (2) heating, ventilation, and air conditioning; and (3) building shell improvements. MEA expects these projects would be showcase projects that are potentially reproducible. The program is designed to be a pilot program, which, if successful, could be transitioned to other entities (*i.e.*, the electric utilities as a new program in the EmPower Maryland portfolio).

MEA indicates these grants would only support a portion of the project costs and are expected to be part of larger facility upgrades. As a result, the entities receiving these funds would have to provide other funding sources to support the project. MEA envisions that some of the entities would also use the JELLP to support a portion of the project.

In a filing before the Public Service Commission (PSC), as part of a request for a portion of the Customer Investment Fund allocation, a fund created by PSC as a condition of the merger between Exelon Corporation and Constellation Energy Group, MEA/State of Maryland noted the challenges in encouraging commercial and industrial companies to participate in energy efficiency programs. MEA/State of Maryland stated in the filing that only one-third of the EmPower Maryland funds targeted to manufacturers have been used as a result of barriers within the company, which include a focus on other company needs, a lack of awareness of financing options, and a lack of expertise. MEA/State of Maryland also stated, in the filing, that a 2010 study of the commercial and industrial sector programs in Maryland found that funding availability was a barrier in undertaking energy efficiency activities for small businesses.

If the Commercial and Industrial Sector Deep Retrofit Grant program supports only a portion of the cost of the project, the entity must have or find funding for the remainder of the project. As discussed in Issue 1, MEA has been unable to develop a project list that would allow the JELLP to award loans and ultimately encumber/expend funds at the level of the program's appropriation. The statements by MEA, in addition to the ongoing difficulties of the agency in successfully awarding JELLP loans, calls into question the need for (or market desire for) \$9 million of energy efficiency

grants. **The Department of Legislative Services (DLS) recommends that in light of the uncertain market for this program, the funds for the Commercial and Industrial Sector Deep Retrofit Grant program be deleted.**

The Maryland Emergency Generation Grant program would provide support for the installation of on-site clean energy generation and/or battery backup systems at critical facilities. This program is expected to limit the impact of extended power outages through the provision of emergency generation to public health, emergency shelters, and transportation facilities (*e.g.*, gasoline service stations). These funds would be provided through a competitive grant process. A two-part study is currently in development by the University of Maryland Center for Health and Homeland Security regarding how the State should prioritize critical infrastructure and prioritize emergency power at facilities. **MEA should comment on the status of this study and describe how MEA will use this study to guide the program’s grant process. MEA should also discuss how it will work with the Maryland Emergency Management Agency to ensure funds are directed to the entities deemed most critical by that agency.**

The Electric Vehicle Charging Stations at MARC and Metrorail Stations grant program is expected to support the installation of 2 (or in some locations 3) electric vehicle charging stations at each of the 38 MARC and 23 Metrorail stations in Maryland that have parking lots. MEA will work with the Maryland Transit Administration and Washington Metropolitan Area Transit Authority on the implementation of this program. The final report of the Electric Vehicle Infrastructure Council (EVIC) included a recommendation that the State promote the establishment of adequate charging infrastructure to support the goal of having 60,000 plug-in electric vehicles on the road by 2020. Specifically, EVIC recommended that the State monitor the installation of private sector charging facilities and add infrastructure at State facilities in underserved areas. The final report also notes that the State should be careful to keep State provided chargers from “out-competing” commercial chargers. Also, according to the EVIC final report, there are already 73 charging stations at State facilities.

The State has not yet had time to monitor private installations and determine that the MARC and Metrorail stations are in underserved areas. In addition, based on the number of registered electric vehicles, as of November 2012 (778), the installation of these (at least 122 charging stations) would provide a ratio of 6.4 electric vehicles (registered anywhere in the State) to charging stations at MARC and Metrorail stations. **DLS recommends that the State delay the installation of this charging equipment until more electric vehicles are registered, and the State has time to monitor the installation of charging stations by the private sector. DLS also recommends that the \$1 million originally planned for this purpose in fiscal 2014 instead be used for additional Emergency Generation grants.**

## Issues

---

### 1. Few Loans Awarded through the Jane E. Lawton Conservation Loan Program

The JELLP has been operational since fiscal 2009. As shown in **Exhibit 4**, in all years since, the JELLP has failed to award loans sufficient to allow the agency to encumber or expend its full appropriation. In addition, subsequent to the awarding of the loans, encumbrances have later been cancelled or reduced as projects were either cancelled or reduced in scope. After accounting for these cancellations, in total, in the four years of the program's existence, the JELLP has encumbered/expended only 26.3% (\$3.6 million) of the \$13.7 million funds available to support the program. During the same time period, after accounting for cancelled and reduced encumbrances, the SALP has encumbered 78.3% (\$11.2 million) of the \$14.4 million that were available to support that program. Although the SALP has also failed to encumber/expend its full appropriation, the SALP has been able to encumber/expend funds at a higher level relative to its appropriation in each year since fiscal 2009 than the JELLP.

---

**Exhibit 4**  
**Jane E. Lawton Loan Program Appropriations vs. Encumbrances**  
**Fiscal 2009-2012**

|                                              | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>Total</u> |
|----------------------------------------------|-------------|-------------|-------------|-------------|--------------|
| Appropriation                                | \$3,500,000 | \$5,500,000 | \$2,187,925 | \$2,500,000 | \$13,687,925 |
| Encumbrance Activity                         | 1,428,850   | 292,800     | 835,000     | 1,041,392   | 3,598,042    |
| Percent of Appropriation Actually Encumbered | 40.8%       | 5.3%        | 38.2%       | 41.7%       | 26.3%        |

Note: The fiscal 2009 appropriation consists of \$1.2 million legislative appropriation and \$2.3 million brought in by budget amendment as a result of the revenue available for the first two Regional Greenhouse Gas Initiative carbon dioxide emission allowance auctions. The fiscal 2010 appropriation consists of \$2.75 million legislative appropriation and \$2.75 million of federal funds available from the American Recovery and Reinvestment Act of 2009 (ARRA), ultimately never used in the program and brought in by budget amendment. The fiscal 2011 appropriation represents the legislative appropriation after the transfer of ARRA funds by budget amendment as required by budget bill language. Encumbrance activity is as reported in the revolving loan fund summary and other budget documents and accounts for encumbrances cancelled later. The Maryland Energy Administration has advised a cancellation of a fiscal 2011 encumbrance of \$500,000 is pending but not yet recorded. This cancellation is reflected in the encumbrance activity for purposes of this exhibit.

Source: Maryland Energy Administration; Department of Legislative Services; Governor's Budget Books

---

In fiscal 2012, MEA took several steps to try to improve the level of loan activity in the program, including beginning to accept loan applications on May 1, 2011, rather than waiting until

after the fiscal year began, as previously occurred. However, loan activity in that year remained low. MEA has continued to seek ways to improve loan activity; the efforts in fiscal 2013 include:

- publication of a business case guide to help overcome organizational and financial barriers to loans for energy efficiency;
- working with the utilities to identify outreach opportunities;
- participation in a new workgroup, which is focused on overcoming challenges of financing energy efficiency upgrades for commercial organizations;
- outreach with industrial companies; and
- planned additional technical assistance in fiscal 2014, resulting in increased administrative expenditures of \$44,552, or 73.7%.

As of January 8, 2013, MEA was considering applications or anticipating applications from four organizations, which if funded, would be for loans totaling \$1.3 million, 75.5% of the appropriation. However, one of these projects (a \$500,000 loan request) is actually a new request for a project cancelled in fiscal 2011. If MEA ultimately is able to encumber/expend the funds at this level, the percent of the appropriation actually expended in fiscal 2013 would be the highest in JELLP history. **As a result of the ongoing difficulties of MEA in developing a project list to fully encumber and expend the appropriation, DLS recommends committee narrative requesting that MEA begin its application process in sufficient time to have a list of planned projects available with the budget bill submission to justify the level of appropriation.**

## ***PAYGO Recommended Actions***

---

1. Adopt the following narrative:

**Jane E. Lawton Conservation Loan Program Project List:** The Maryland Energy Administration (MEA) has consistently had difficulties in developing a set of projects to fully encumber and expend the level of the Jane E. Lawton Conservation Loan Program (JELLP) appropriation in any given year. The budget committees, as a result, request that MEA begin a process of accepting and evaluating loan applications prior to the budget bill submission so it is clear whether there are sufficient projects to support the appropriation each year. MEA should work with the Department of Budget and Management Capital Budget Office to develop this process. If MEA is unable to begin this process for the fiscal 2015 submission, MEA should provide a report to the budget committees discussing the reason and the planned timeline for implementing this process.

| <b>Information Request</b>                                                                             | <b>Author</b> | <b>Due Date</b>                                   |
|--------------------------------------------------------------------------------------------------------|---------------|---------------------------------------------------|
| Report on timeline for development of a project list for the JELLP prior to the budget bill submission | MEA           | With the fiscal 2015 budget submission, if needed |

2. Concur with Governor's allowance for the State Agency Loan Program.
3. Add the following language to the general fund appropriation:

, provided that \$1,000,000 of this appropriation made for the purpose of Electric Vehicle Charging Stations at the Maryland Area Regional Commuter and Metrorail Stations Grant program may not be expended for that purpose but instead may only be used to provide support for the Maryland Emergency Generation Grant program. Funds not expended for this restricted purpose may not be transferred by budget amendment or otherwise to any other purpose and shall revert to the General Fund.

**Explanation:** The fiscal 2014 allowance provides \$11.7 million for a new general fund pay-as-you-go program in the Maryland Energy Administration (MEA). Of this amount, \$1.7 million is designated for the Maryland Emergency Grant program for competitive grants for on-site clean generation and/or battery backup systems at critical infrastructure and \$1.0 million is designated for the installation of electric vehicle charging stations at the 38 Maryland Area Regional Commuter (MARC) and 23 Metrorail Stations with parking lots. MEA plans a minimum of 122 charging station installations at these facilities; however, there are only 778 electric vehicles currently registered in Maryland. In addition, the Electric Vehicle Infrastructure Council recommended in the final report

*DA13 – Maryland Energy Administration – Capital*

that the State monitor the installation of private sector charging facilities and add infrastructure at State facilities in underserved areas. The State should continue to monitor the private sector installations as recommended before proceeding with the installations at these facilities to determine if the private sector is interested in completing these installations without State assistance. This language restricts the funds provided for the installation of the electric vehicle charging equipment at MARC and Metrorail Stations to be used instead for additional support for the Maryland Emergency Generation Grant program. This would allow a total of \$2.7 million to be available for emergency generation grants at critical facilities. If the restricted funds are not used for this purpose the funds must revert to the general fund.

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <b><u>Amount<br/>Reduction</u></b> |    |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|----|
| 4. Delete funds for Commercial and Industrial Deep Retrofit Grant program. This program is expected to pay a portion of the cost of deep energy retrofits undertaken by the commercial and industrial sector as part of larger facility upgrades. The Maryland Energy Administration has an existing loan program which could serve these customers. In addition, the existing loan program has been unable to award, encumber, and expend funds for loans equal to its appropriation indicating that there may not be a sufficient number of projects to use these funds. | \$9,000,000                        | GF |
| <b>Total General Fund Reductions</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | <b>\$9,000,000</b>                 |    |