Larry Hogan, Governor
Boyd K. Rutherford, Lt. Governor
Mary Beth Tung, Director

TO: Members, House Environment and Transportation Committee
FROM: Mary Beth Tung – Director, MEA
SUBJECT: HB 1033 - Environment and Energy - Investment in Overburdened Communities
DATE: March 15, 2022

MEA POSITION: Letter of Information

The Maryland Energy Administration (MEA) appreciates the sponsors' intent to pursue more equitable distribution of state funds. However, under this bill several state agencies will be required to incorporate a litany of new considerations into many of their respective programs, including MEA. **MEA anticipates that the administration of these new considerations will be onerous for the state and frustrating to prospective applicants and consumers, including those in low-income communities.**

As drafted, § 1-703 of the Environmental Article would require 40% of the Jane E. Lawton Conservation Loan, Strategic Energy Investment Fund (SEIF), and Offshore Wind Business Development Funds be directed to "overburdened communities" as defined in the bill. This will likely have significant impacts on the administration of MEA's existing portfolio of clean and renewable energy programs.

MEA currently offers both competitive and first-come, first-served programs. Under both types , MEA does not know which applicants will apply, nor where the applications will originate from within the state. MEA endeavors to make award decisions as timely as possible. However, MEA does not have a complete picture of all spending (i.e., encumbered funds) until the end of each fiscal year. **By requiring at least 40% of spending to benefit overburdened communities, MEA will likely have to delay some program award decisions until the very end of the fiscal year once award and encumbrance data can be known in order to ensure the 40% spending threshold is achieved.** Alternatively, in a circumstance where there are insufficient applications from entities located within "overburdened communities," MEA will not be able to operate its programs at full funding levels as authorized in the budget; **denying awards to some entities that may have otherwise been eligible**. In the most extreme example **where no applications are received from entities within an "overburdened community," MEA would not be able to make any awards, as there would be no way to meet the 40% requirement**.

As a result of the timeline for award decisions being pushed to the very end of the fiscal year, **it will be logistically challenging, if not impossible, for MEA to successfully execute all awards in an efficient or timely manner.** Once an award decision is made, MEA still needs to draft the associated award agreements, negotiate and execute these agreements with the selected

applicants, and process the associated financial encumbrances. Additionally, for MEA's income-based energy efficiency program, the nonprofit and local government grantees currently identify potential program participants solely based on income. **The changes in this bill will make this program harder to implement for grantees and MEA alike by adding in new beneficiary requirements that will need to be reviewed and tracked at the census tract level.** This will necessitate additional administrative effort for both grantees and staff.

Moreover, this bill introduces yet another income-based requirement, above and beyond the income restrictions already included in statute describing the allowable uses of the SEIF under § 9-20B-05 of the State Government Article. The proposed new statute would require MEA to track all funding against another benchmark of 75% of statewide median household income. **Having multiple income-related definitions for income-driven programs is administratively challenging, and difficult to explain in program guidelines for program participants.**

State Government Article § 9-20B-05 dictates the way most MEA revenue is distributed. Resources used for transportation sector programs, clean and renewable energy, energy efficiency, and specifically low-to-moderate income energy efficiency programs would all be affected by the bill. Additionally, MEA also administers funds from other sources, such as the Public Service Commission, which come with their own additional restrictions (e.g., geographical areas, certain prescribed useds). C**onflicts are likely to arise while balancing the various existing requirements with the bill's new requirements.**

MEA issues more than 3,000 grants, rebates, or other benefits to customers each year. Each application for those programs would be subjected to new levels of scrutiny. While MEA currently has adequate and sufficient staff and resources to conduct its mission effectively and efficiently, any additional legislatively-mandated requirement, such as this, could hamper our efficiency, force us to divert resources away from current core competencies, and could disrupt customer service or diminish services. MEA requests the committee consider the foregoing prior to issuing its report for HB 1033.