**HB 660**

# Department of Legislative Services

Maryland General Assembly
2024 Session

## FISCAL AND POLICY NOTE
## First Reader

House Bill 660 (Delegate Charkoudian)
Economic Matters and Appropriations

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**Green and Renewable Energy for Nonprofit Organizations Loan Program and Fund**

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This bill establishes a Green and Renewable Energy for Nonprofit Organizations Loan Program in the Maryland Energy Administration (MEA) and authorizes the Governor to include specified appropriations for the program in the annual budget bills for fiscal 2026 and 2027. **Uncodified provisions requiring MEA to establish an application process, guidelines, considerations, and an advertising campaign for the program, take effect July 1, 2024; other provisions relating to the program take effect July 1, 2025.**

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## Fiscal Summary

**State Effect:** General fund expenditures increase by $128,900 in FY 2025, $5.0 million in FY 2026, and by a potentially significant amount in FY 2027 (as much as $5.0 million or more). Special fund revenues and expenditures increase by $5.0 million in FY 2026 and by potentially significant amounts in future years (in FY 2027, potentially as much as $5.0 million or more).

| ($ in millions) | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 |
|---|---|---|---|---|---|
| SF Revenue | $0 | $5.0 | - | - | - |
| GF Expenditure | $0.13 | $5.0 | - | $0 | $0 |
| SF Expenditure | $0 | $5.0 | - | - | - |
| Net Effect | ($0.13) | ($5.0) | (-) | (-) | (-) |

*Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease*

**Local Effect:** The bill does not directly affect local government finances.

**Small Business Effect:** Potential meaningful.

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## Analysis

**Bill Summary:**

*Green and Renewable Energy for Nonprofit Organizations Loan Program*

The stated purpose of the Green and Renewable Energy for Nonprofit Organizations Loan Program is to provide financial assistance in the form of no-interest loans to nonprofit organizations for the planning, purchase, and installation of qualifying energy systems in the State. MEA must (1) manage, supervise, and administer the program; (2) adopt regulations to ensure that loans provided to nonprofit organizations carry out the purpose of the program; and (3) attach specific terms to any loan that are considered necessary to ensure that the purpose of the program is fulfilled.

To receive a loan under the program, a borrower must file an application with MEA. The application must contain any information MEA determines is necessary, including (1) the projected cost of the qualifying energy system or technical assistance being financed through the loan; (2) the location of the property where the qualifying energy system will be installed and whether the property is owned or leased by the applicant; and (3) any additional information relating to the borrower or the proposed qualifying energy system being financed through the loan that may be required by MEA in order to administer the program. An uncodified provision of the bill requires MEA, by July 1, 2025, to (1) establish an application process for loans made under the program; (2) set guidelines and considerations for application, selection, and repayment, as specified; and (3) develop and implement an advertising campaign for the program.

In approving an application, MEA must consider and give priority to an applicant that has an annual budget of $1.0 million or less.

Loans from the Green and Renewable Energy for Nonprofit Organizations Loan Fund (discussed below), that supports the program, may be used for (1) the purchase and installation of a qualifying energy system, including any necessary ancillary machinery, equipment, or furnishings and (2) technical assistance for the planning and installation of a qualifying energy system. MEA may approve an application for a loan for the purchase and installation of a qualifying energy system only if the application demonstrates that the proposed qualifying energy system is estimated, based on projected energy costs, to generate energy cost savings over the useful life of the system that equal or exceed the total amortized cost of the loan. Each borrower, for a loan for the purchase and installation of a qualifying energy system, must contribute at least 10% of the cost of the qualifying energy system. Loans made under the program must be repayable by the borrower in accordance with a schedule set by MEA, which may be on a deferred payment basis. A borrower must provide assurances for the repayment of a loan that (1) must include a promissory note and (2) may include a plan for repayment.

Loans may be made in conjunction with, or in addition to, financial assistance provided through other State or federal programs.

*Green and Renewable Energy for Nonprofit Organizations Loan Fund*

The bill establishes a Green and Renewable Energy for Nonprofit Organizations Loan Fund administered by MEA. The fund consists of (1) money appropriated in the State budget to the program; (2) money received from any public or private source; (3) interest and investment earnings of the fund; and (4) repayments and prepayments on loans made from the fund.

In fiscal 2026, the bill authorizes the Governor to include in the annual budget bill an appropriation of $5.0 million for the fund. In fiscal 2027, the Governor is authorized to include in the annual budget bill an appropriation equal to at least $5.0 million minus the amount in the fund as of June 30 of the immediately preceding fiscal year.

The fund may only be used to pay the expenses of the program and provide loans to eligible borrowers under the program. Any investment earnings of the fund must be paid into the fund. In addition, any repayment on loans made from the fund must be paid into the fund.

*Selected Definitions*

"Nonprofit organization" means an organization that is exempt from federal income tax under § 501(c)(3) of the Internal Revenue Code.

"Qualifying energy system" means a system that (1) generates electricity or usable thermal energy that is used to meet on-site demand and (2) assists the State in meeting the environmental and greenhouse gas reduction goals under Title 2, Subtitle 12 of the Environment Article of the Maryland Code.

**Current Law:**

*Jane E. Lawton Conservation Loan Program*

The stated purpose of the Jane E. Lawton Conservation Loan Program within MEA is to provide financial assistance in the form of low-interest and zero-interest loans to nonprofit organizations, local jurisdictions, State agencies, and eligible businesses for projects to (1) promote energy conservation; (2) reduce consumption of fossil fuels; (3) improve energy efficiency; (4) enhance energy-related economic development and stability in the nonprofit, commercial, and industrial sectors; and (5) reduce greenhouse gas emissions.

*Strategic Energy Investment Fund*

Chapters 127 and 128 of 2008 created the Maryland Strategic Energy Investment Program and the implementing Strategic Energy Investment Fund (SEIF) to decrease energy demand and increase energy supply to promote affordable, reliable, and clean energy. SEIF is funded through the proceeds from the auction of carbon allowances under the Regional Greenhouse Gas Initiative (RGGI), and the fund also receives revenues from compliance fees – often referred to as alternative compliance payments (ACPs) – generated under the State's Renewable Energy Portfolio Standard.

RGGI proceeds must be used for the following purposes: (1) at least 50% for energy assistance programs in the Department of Human Services; (2) at least 20% for energy efficiency and conservation (at least one-half of which must be used for low- and moderate-income programs); (3) at least 20% for renewable and clean energy programs, energy-related education and outreach, and climate change and resiliency programs; and (4) up to 10% but no more than $7.5 million for administrative expenses.

ACP revenues primarily must be used to support the creation of new renewable energy sources in the State that are owned by or directly benefit low- to moderate-income, overburdened, or underserved communities.

**State Fiscal Effect:**

*General Fund Expenditures*

General fund expenditures increase by (1) $128,903 in fiscal 2025, reflecting the cost of MEA hiring staff to develop and implement the Green and Renewable Energy for Nonprofit Organizations Loan Program; (2) $5.0 million in fiscal 2026, reflecting the authorized appropriation to the Green and Renewable Energy for Nonprofit Organizations Loan Fund; and (3) a potentially significant amount in fiscal 2027 (as much as $5.0 million or more), reflecting the second authorized appropriation. This estimate assumes the authorized amount is appropriated in fiscal 2026. The Department of Legislative Services notes – with respect to the bill's authorization for the Governor to include a specified appropriation in the annual budget bill for fiscal 2027 – that the minimum amount the bill authorizes will not be known when the fiscal 2027 budget is developed and enacted.

The estimate for fiscal 2025 assumes a 90-day start-up delay from the bill's July 1, 2024 effective date and reflects the cost of MEA hiring one full-time finance manager and one half-time energy specialist. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

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|---|---|
| Positions | 1.5 |
| Salaries and Fringe Benefits | $114,795 |
| Operating Expenses | 14,108 |
| **Total FY 2025 General Fund Expenditures** | **$128,903** |

Beginning in fiscal 2026, once the Green and Renewable Energy for Nonprofit Organizations Loan Fund is established, the ongoing costs for the new staff are assumed to be supported by the fund as expenses of the program.

*Special Fund Revenues and Expenditures*

Special fund revenues to the Green and Renewable Energy for Nonprofit Organizations Loan Fund increase by $5.0 million in fiscal 2026, and by indeterminate amounts in future years (contingent on the amount of loan repayments and interest income received and the extent of the additional appropriation to the fund in fiscal 2027, which may be as much as $5.0 million or more). Special fund expenditures increase by $5.0 million in fiscal 2026 (assumes full use of the appropriated funding), and by indeterminate amounts in future years (in fiscal 2027, as much as $5.0 million or more), reflecting the personnel expenses of administering the program, awarding of loans under the program, and other ongoing program costs.

**Small Business Effect:** Small businesses that provide green and renewable energy design and construction services may benefit to the extent that nonprofits that receive loans procure their services to purchase and install qualifying energy systems.

## Additional Information

**Recent Prior Introductions:** Similar legislation has been introduced within the last three years. See SB 186 and HB 1248 of 2023 and SB 683 of 2022.

**Designated Cross File:** SB 169 (Senator Kagan) - Budget and Taxation.

**Information Source(s):** Maryland Energy Administration; Department of Legislative Services

**Fiscal Note History:** First Reader - January 29, 2024
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