

Department of Legislative Services
Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE

House Bill 650
Economic Matters

(Delegate King, *et al.*)

Solar, Wind, and Geothermal Energy Grant Program

This bill expands the scope of the Solar Energy Grant Program to include “small wind property” and “geothermal property.” The bill sets the grant award limit for “small wind property” as equivalent to that for photovoltaic property, sets the grant award limit for “geothermal property,” and increases the grant award limits for photovoltaic and solar water heating property. The bill repeals the existing Geothermal Heat Pump Grant Program.

Fiscal Summary

State Effect: The Governor’s proposed FY 2007 budget includes \$2.575 million in general funds for the program, which is an increase of \$2.5 million over the FY 2006 legislative appropriation. The Maryland Energy Administration (MEA) could handle the bill’s changes with existing resources if funded at that level. However, if a sufficient amount of funding and number of grants are awarded for installation of geothermal property, MEA may need an additional position with geothermal expertise.

Local Effect: Minimal.

Small Business Effect: Minimal.

Analysis

Bill Summary: The bill renames the Solar Energy Grant Program as the Solar, Wind, and Geothermal Energy Grant Program and makes small wind property, defined as “equipment that harnesses wind energy to generate electricity at a capacity of not more

than 30 kilowatts,” and geothermal property, defined as “a heating and cooling device that is installed using ground loop technology,” eligible for grants from the program. The grant award limit for small wind property is equivalent to that for photovoltaic property. Grants awarded for geothermal property installed on residential property may not exceed \$1,000, and no more than 10% of the money in the program may be used for geothermal property grants.

The bill increases the existing grant award limit for photovoltaic property installed on residential property from the lesser of \$3,000 or 20% of the total installed cost, to the sum of: • the lesser of \$20,000 or 50% of the total installed cost; and • the lesser of one dollar multiplied by the kilowatt hours of electricity produced the first year or \$10,000.

The bill increases the existing grant award limit for photovoltaic property installed on nonresidential property from the lesser of \$5,000 or 20% of the total installed cost, to the sum of: • the lesser of \$60,000 or 50% of the total installed cost; and • the lesser of one dollar multiplied by the kilowatt hours of electricity produced the first year or \$10,000.

The bill lastly increases the existing grant award limit for solar water heating property from the lesser of \$2,000 or 20% of the total installed cost, to the lesser of \$4,000 or 40% of the total installed cost.

Current Law: The Solar Energy Grant Program is administered by MEA. The program provides grants to individuals, local governments, and businesses for a portion of the costs of acquiring and installing photovoltaic property and solar water heating property. Photovoltaic property is defined as solar energy property that uses a solar photovoltaic process to generate electricity. Solar water heating property is solar energy property, in connection with a structure, that uses solar energy for the purpose of providing hot water for use within the structure. Both must meet standards and certification requirements specified by MEA.

The Geothermal Heat Pump Grant Program was established within MEA to provide grants of up to \$1,000 to individuals for a portion of the cost of acquiring and installing a geothermal heat pump.

Background: The Solar Energy Grant Program was created by Chapter 128 of 2004, which took effect January 1, 2005. The fiscal 2006 budget included a \$75,000 general fund appropriation for the program. MEA began accepting grant applications in August 2005 and had reached the program’s funding capacity by December 2005.

The Geothermal Heat Pump Grant Program was established by Chapter 476 of 2005. Funding for the program has not been included in the proposed fiscal 2007 budget.

Exhibit 1 shows some of the renewable energy incentives offered by surrounding states and the federal government.

**Exhibit 1
Renewable Energy Incentives Offered by the Federal Government
and Surrounding States**

	<u>Rebates/Grants</u>		
	<u>Tax Credits/Exemptions</u>	<u>Purchase and Installation of Renewable Energy Equipment</u>	<u>Larger Scale Research and Development and Deployment Projects</u>
Federal Government	<ul style="list-style-type: none"> • 30% personal tax credit up to \$2,000 for purchase of photovoltaic or solar water heating property (applies to systems installed between Jan. 1, 2006 and Dec. 31, 2007) • 30% corp. tax credit for renewable energy property including photovoltaic and solar water heating property • Energy conservation subsidies provided by public utilities nontaxable • Additional corp. tax incentives 	<ul style="list-style-type: none"> • 25% of project costs up to \$500,000 for renewable energy projects and up to \$250,000 for energy efficiency improvements for agricultural producers and rural small businesses 	<ul style="list-style-type: none"> • Financial and technical assistance to Indian tribes for feasibility studies and cost-sharing of implementing renewable energy installations on tribal lands
Delaware		<ul style="list-style-type: none"> • 50% of installation costs for photovoltaic, solar water heating, fuel cells, and wind turbine systems with varying caps (generally \$22,500 for residential and \$250,000 for nonresidential) 	<ul style="list-style-type: none"> • 35% of cost of qualifying projects up to \$250,000 to develop or improve renewable energy technology in Delaware • 25% of eligible equipment costs up to \$200,000 for projects that demonstrate market potential and accelerate commercialization of renewable technologies

Rebates/Grants

	<u>Tax Credits/Exemptions</u>	<u>Purchase and Installation of Renewable Energy Equipment</u>	<u>Larger Scale Research and Development and Deployment Projects</u>
New Jersey	<ul style="list-style-type: none">• Exemption from sales tax for all purchases of solar or wind energy equipment	<ul style="list-style-type: none">• Rebate based on dollar amount per watt that decreases as a system's capacity gets larger, for solar-electric, wind, and sustainable biomass systems (e.g. \$5.10 per watt for the first 10 kW of system size, \$3.90 per watt for the next 30 kW of system size, etc.)	<ul style="list-style-type: none">• \$50,000 - \$500,000 (with 25% cost-share requirement) for development of businesses, technologies, service, and market infrastructure in support of the state's renewable-energy industry
Pennsylvania			<ul style="list-style-type: none">• Up to \$1 million per grant for advanced energy research and deployment projects and to assist businesses interested in locating or expanding advanced energy operations in Pennsylvania• Grants for implementation of clean and renewable energy technologies, aimed at reaching goal of 10% of state's energy obtained from clean and renewable sources (no maximum per grant; \$5 million available in most recent round of funding)
Virginia	<ul style="list-style-type: none">• 21 cities and counties offer total or partial exemptions from property taxes for solar energy or recycling equipment	<ul style="list-style-type: none">• 33% of installed costs up to \$10,000 for purchase and installation of small wind energy systems	

Rebates/Grants

	<u>Tax Credits/Exemptions</u>	<u>Purchase and Installation of Renewable Energy Equipment</u>	<u>Larger Scale Research and Development and Deployment Projects</u>
West Virginia	<ul style="list-style-type: none">• Lowered property tax on utility-owned wind turbines to 5% of assessed value• Lowered Business and Operation Tax on utilities using wind-power generation to 5%		
District of Columbia			<ul style="list-style-type: none">• 50% grants for renewable energy projects involving photovoltaic, wind, biomass, fuel cell, and hydro technologies (currently \$200,000 of total available funding)

Source: *Database of State Incentives for Renewable Energy*, Interstate Renewable Energy Council

State Fiscal Effect: Assuming the program is funded at or near the level of \$2.575 million proposed by the Governor in the proposed fiscal 2007 budget, MEA could handle the bill's changes with existing resources. However, to the extent a sufficient amount of funding (maximum of 10% of total program funding) and a sufficient number of grants are directed toward the installation of geothermal property that would justify the need for an additional position with geothermal expertise (MEA currently has sufficient staff with solar and wind energy expertise), MEA may require an additional position.

Additional Information

Prior Introductions: Similar legislation was introduced as HB 1575 of 2005. The House Economic Matters Committee held a hearing on the bill; however, the bill was subsequently withdrawn.

Cross File: SB 525 (Senator Garagiola, *et al.* – Finance) is listed as a cross file, but is not identical.

Information Source(s): Services Maryland Energy Administration; *Database of State Incentives for Renewable Energy*, Interstate Renewable Energy Council; Department of Legislative Services

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