

Department of Legislative Services
Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE

Senate Bill 231

(The President, *et al.*)(By Request – Administration)

Finance

Maryland Energy Administration - Solar and Wind Energy Grant Program

This Administration bill expands the scope of the Solar Energy Grant Program to include “small wind generators.” It also sets the grant award limit for “small wind generators” and increases the grant award limits for photovoltaic and solar water heating property.

The bill takes effect July 1, 2006.

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 bill would increase the size of grants awarded but would not directly affect the overall amount expended under the program. However, increased demand could conceivably increase in the amount budgeted for the program in future years.

Local Effect: Minimal.

Small Business Effect: A small business impact statement was not provided by the Administration in time for inclusion in this fiscal note. A revised fiscal note will be issued when the Administration’s assessment becomes available.

Analysis

Bill Summary: The bill renames the Solar Energy Grant Program as the Solar and Wind Energy Grant Program and makes small wind generators, defined as “equipment that harnesses wind energy to generate electricity,” eligible for grants under the program. The

grant award limit for a small wind generator is the lesser of one dollar multiplied by the kilowatt hours of electricity produced by the small wind generator during its first year of operation or \$10,000.

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 increases the existing grant award limit for solar water heating property from the lesser of \$2,000 or 20%, to the lesser of \$3,500 or 50% of the total installed cost.

Current Law: The Solar Energy Grant Program is administered by the Maryland Energy Administration (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.

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.

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

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>
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

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: HB 317 (The Speaker, *et al.*)(By Request – Administration) – Economic Matters.

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

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