

Department of Legislative Services
 Maryland General Assembly
 2006 Session

FISCAL AND POLICY NOTE

House Bill 233 (Delegate Bartlett, *et al.*)
 Economic Matters

Solar Energy Grant Program

This bill increases grant award limits under the Solar Energy Grant Program.

Fiscal Summary

State Effect: None. 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 affect the overall amount expended under the program.

Local Effect: Minimal.

Small Business Effect: Minimal.

Analysis

Bill Summary: Grant award limits are increased as follows:

	Current Limits (the lesser of \$ amount or % of total installed cost)	Proposed Limits (the lesser of \$ amount or % of total installed cost)
Photovoltaic property (residential)	\$3,000, 20%	\$15,000, 50%
Photovoltaic property (nonresidential)	\$5,000, 20%	\$50,000, 50%
Solar water heating property	\$2,000, 20%	\$2,500, 50%

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

	<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

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>
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
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 (<i>e.g.</i> \$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)

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>
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	
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, but the bill was withdrawn.

Cross File: None.

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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