

Department of Legislative Services
 Maryland General Assembly
 2007 Session

FISCAL AND POLICY NOTE

House Bill 978 (Delegate Stein, *et al.*)
 Economic Matters

Maryland Energy Administration - Renewable Energy Small Business Grant Program

This bill creates a Renewable Energy Small Business Grant Program within the Maryland Energy Administration (MEA) to encourage the use of renewable energy resources by small businesses that have been in operation for five years or less. Grants awarded must equate to \$100 per increment of 10% of the total energy used each year by the small business that is from a renewable energy resource. The bill expresses legislative intent that, beginning in fiscal 2009, not more than \$250,000 be included in the State budget for the program.

The bill takes effect July 1, 2007.

Fiscal Summary

State Effect: General fund expenditures could increase by at least \$175,000, beginning in FY 2008, to administer the program. Future year expenditures reflect ongoing minimum grant funding, operating costs, and the \$250,000 limit for total annual funding. Revenues would not be affected.

(in dollars)	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	175,000	175,300	175,500	175,800	176,000
Net Effect	(\$175,000)	(\$175,300)	(\$175,500)	(\$175,800)	(\$176,000)

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

Local Effect: None.

Small Business Effect: The grant program could positively impact small businesses by allowing them to receive grant money for the use of renewable energy resources.

Analysis

Current Law/Background: MEA currently administers the Solar Energy Grant Program and the Geothermal Heat Pump Grant Program, which provide grants that are available to small businesses for a portion of the costs of acquiring and installing photovoltaic, solar water heating, and geothermal property (property that uses solar and geothermal “renewable energy resources”). The grant limits for the Solar Energy Grant Program are shown in **Exhibit 1**. The grant limit for acquisition and installation of a geothermal heat pump is \$1,000.

The Solar Energy Grant Program was created by Chapter 128 of 2004 and took effect January 1, 2005. The fiscal 2006 budget included a \$75,000 general fund appropriation for the program and funding was increased in fiscal 2007 to \$1.5 million. The Geothermal Heat Pump Grant Program (created by Chapter 476 of 2005) is funded through money appropriated to the Solar Energy Grant Program.

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

Exhibit 1 Grant Award Limits under the Solar Energy Grant Program

	Grant Award Limits (the lesser of \$ amount or % of total installed cost)
Photovoltaic property (residential)	\$3,000 – 20%
Photovoltaic property (nonresidential)	\$5,000 – 20%
Solar water heating property	\$2,000 – 20%

State Expenditures: General fund expenditures could increase by at least \$175,000 beginning in fiscal 2008, given the bill’s July 1, 2007 effective date.

MEA advises that roughly \$150,000 in annual funding to award grants would make the program viable – less than the \$250,000 limit for future years specified in the bill. The

estimate of operating expenses is based on the budget of a similar grant program in operation in Montgomery County and accounts for expenses to create brochures, develop web content, and perform outreach. MEA advises it may be able to implement the program with existing personnel, though an additional contractual or full-time employee may be required, which could be requested through the budget process. The estimate assumes the program would be implemented with existing personnel.

Grant Funding	\$150,000
Operating Expenses	<u>25,000</u>
Total FY 2008 State Expenditures	\$175,000

Future year expenditures reflect 1% annual increases in ongoing operating expenses.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - February 26, 2007
ncs/ljm

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Appendix 1

Renewable Energy Incentives Offered by the Federal Government and Surrounding States

Rebates/Grants

	<u>Tax Credits/Exemptions</u>	<u>Planning/Purchase and Installation of Renewable Energy Equipment</u>	<u>Larger Scale Research and Development and Deployment Projects/ Production Incentives</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 and up to \$500 per 0.5 kW for fuel cells (applies to systems installed between Jan. 1, 2006 and Dec. 31, 2008) • Tax credit for residential energy efficiency improvements including installation of geothermal heat pumps (up to \$300) • 30% corp. tax credit for renewable energy property including photovoltaic and solar water heating property (credits decrease Jan. 1, 2009) • Energy conservation subsidies provided by public utilities are 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 (through FFY 2007) 	<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 • Per kWh corporate tax credit for electricity generated by qualifying renewable energy sources (1.9 cent/kWh for wind, geothermal, closed-loop biomass; 1.0 cent/kWh for others)

Rebates/Grants

	<u>Tax Credits/Exemptions</u>	<u>Planning/Purchase and Installation of Renewable Energy Equipment</u>	<u>Larger Scale Research and Development and Deployment Projects/ Production Incentives</u>
Delaware		<ul style="list-style-type: none"> Up to 50% rebate of installation costs for customers of Delmarva Power for photovoltaic, solar water heating, fuel cell, geothermal heat pump, and wind turbine systems with varying dollar amount 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 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 of capacity paid, incrementally based on the size of the system installed (up to 700 kW of capacity) for solar-electric, wind, and sustainable biomass systems (e.g. \$4.40 per watt for the first 10 kW, \$3.45 per watt for the next 30 kW, etc. for solar-electric systems installed by public and nonprofit applicants) Financial incentives (nonresidential) and loans (residential) for energy efficiency equipment including geothermal heat pumps 	<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 (applications solicited in 2005 and 2006) State renewable energy portfolio standard requires use of solar renewable energy credits resulting in an approximate \$0.20/kWh production incentive
Pennsylvania*	<ul style="list-style-type: none"> Exclusion of wind turbines and related equipment from property tax assessment 	<ul style="list-style-type: none"> Grant program for planning costs including renewable energy and energy efficient technology in school construction Low-interest loan program (\$1,000 - \$10,000) to make energy efficiency 	<ul style="list-style-type: none"> Up to \$1 million per grant or loan (in 2006) for advanced energy research and deployment projects and to assist businesses interested in locating or expanding advanced energy operations

Rebates/Grants

<u>Tax Credits/Exemptions</u>	<u>Planning/Purchase and Installation of Renewable Energy Equipment</u>	<u>Larger Scale Research and Development and Deployment Projects/ Production Incentives</u>
Virginia	<ul style="list-style-type: none">• State law allows and 21 cities and counties offer total or partial exemptions from property taxes for solar energy or recycling equipment	<ul style="list-style-type: none">• 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)
West Virginia	<ul style="list-style-type: none">• Lowered property tax basis on utility-owned wind turbines (5% of assessed value)• Lowered Business and Occupation Tax on utilities using wind-power generation – 5% (otherwise generally 40% on electricity-generating units)	
District of Columbia		<ul style="list-style-type: none">• Grants of up to 50% of project costs for renewable energy projects involving photovoltaic, wind, biomass, fuel cell, hydropower, geothermal-electric, and other renewable technologies (currently \$450,000 of total available funding)

*Various other local government and utility-sponsored incentives (not shown) are available in Pennsylvania.

Other states with significant renewable energy incentives include New York (\$4.00 - \$4.50/W rebate for installed costs up to 60% of costs or 50 kW of capacity for photovoltaic systems; additional tax incentives), California (varying solar incentives including \$2.50/W of expected performance for residential and commercial systems under recently adopted program aimed at providing 3,000 MW of solar capacity by 2017), Wisconsin (25% of project costs or \$35,000 for photovoltaic, wind energy, solar hot water and solar space-heating systems), and North Carolina (tax credit of 35% of installed costs up to a maximum of \$10,500 for photovoltaic, wind, or other renewable energy systems for residential use).

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