

Department of Legislative Services
Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE

House Bill 1301
Economic Matters

(Delegate Frick, *et al.*)

Finance

The Jane E. Lawton Loan Program

This bill consolidates, with limited modifications, the existing Community Energy Loan Program (CELP) and Energy Efficiency and Economic Development Loan Program (EEEDLP) into the Jane E. Lawton Loan Program and establishes a related special fund to fund the program.

The bill takes effect July 1, 2008.

Fiscal Summary

State Effect: The bill's changes would not materially affect State finances.

Local Effect: The bill would not directly affect local government operations or finances.

Small Business Effect: Minimal.

Analysis

Bill Summary: The program is administered by the Maryland Energy Administration and has the stated purpose of providing financial assistance in the form of low-interest loans to nonprofit organizations, local jurisdictions, and eligible businesses for projects to

- promote energy conservation;
- reduce consumption of fossil fuels;
- improve energy efficiency; and
- enhance energy-related economic development and stability in business, commercial, and industrial sectors.

The bill specifies • requirements for MEA with respect to the program; • application requirements; • permissible uses of loans from the fund; • specified borrower contribution and documentation requirements; • provisions relating to the making, servicing, settling, interest rates, and repayment of loans; and • specified prohibitions and related penalties.

A Jane E. Lawton Conservation Fund is established to pay the expenses of the program and to provide loans to eligible borrowers and projects. The fund would consist primarily of money appropriated in the State budget, money received from any public or private source, interest and investment earnings, and repayments and prepayments of principal and interest on loans made from the fund. A portion of the money in the fund must be made available for loans to nonprofit organizations each year.

The bill repeals CELP and EEEDLP. The assets, liabilities, and obligations of those programs are continued as the assets, liabilities, and obligations of the newly established program. The loans made under those programs remain valid and specified actions with respect to the loans may be taken as though the programs had not been repealed.

Current Law: CELP and EEEDLP are administered by MEA. CELP provides loans to nonprofit organizations and local jurisdictions for improvements or modifications to buildings owned by the organizations or jurisdictions that enhance the energy efficiency and reduce the operating expenses of the buildings. EEEDLP provides low-interest loans to Maryland businesses to promote energy conservation, energy efficiency, energy-related economic development, and stability in business, commercial, and industrial sectors. Borrowers under both programs are generally allowed to use the cost savings generated by the improvements as the primary source of revenues for repayment of the loan and repay the loan on a schedule and at a reasonable interest rate as determined by MEA. Loans may be in conjunction with, or in addition to, financial assistance provided through other State or federal programs.

Both programs are supported by special funds that may be used to pay the expenses of the programs and provide loans to eligible borrowers and projects. A portion of the money in the CELP Fund must be made available for loans to schools and hospitals.

Background: CELP was established by the General Assembly in 1989 (Chapter 421) and initially capitalized in 1989 and 1990 with \$3.2 million from the Energy Overcharge Restitution Fund. According to the Department of Budget and Management, through January 2006, \$14.2 million had been loaned for 53 projects under the program. In recent years (fiscal 2006-2008), \$1.5 million has been appropriated annually. The Governor's proposed fiscal 2009 budget includes a \$1.2 million allowance for the program.

EEEDLP was initially capitalized in 1995 with \$1.7 million from the Energy Overcharge Restitution Fund, but was not subsequently funded until the program was codified in State law (Chapter 183 of 2005); an appropriation of \$500,000 was included in the fiscal 2007 budget. An appropriation was not included in the fiscal 2008 budget for the program due to a lack of a substantiated need for funding based on the project pipeline. The proposed fiscal 2009 State budget does not include any funds for the program.

Additional Information

Prior Introductions: None.

Cross File: SB 885 (Senator Madaleno, *et al.*) – Finance.

Information Source(s): Montgomery County, Prince George’s County, Worcester County, Maryland Energy Administration, Department of Budget and Management, Department of Legislative Services

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