

Department of Legislative Services  
Maryland General Assembly  
2009 Session

FISCAL AND POLICY NOTE

House Bill 1442  
Economic Matters

(Delegate Walkup, *et al.*)

Finance

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**Jane E. Lawton Conservation Fund - Renewable Energy Projects**

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This bill expands the purposes of the Jane E. Lawton Conservation Loan Program and eligible projects under the program to include the development and use of renewable energy resources, including installation of infrastructure for renewable energy generation by local jurisdictions and nonprofit organizations. The bill also specifies additional local government entities eligible to receive loans under the program; allows a loan to be deposited in a revolving loan fund of a county's economic development commission to provide capital for renewable energy infrastructure projects; and authorizes local jurisdictions to offer excess electricity generated from a project financed under the program for trade on the wholesale market.

The bill takes effect July 1, 2009.

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**Fiscal Summary**

**State Effect:** None. The bill does not substantively change State activities or operations.

**Local Effect:** Local governments may benefit from a wider range of projects being eligible for loans under the program, the eligibility of additional local government entities to apply for loans, and the ability of local jurisdictions to offer excess electricity for trade on the wholesale market; however, the bill does not affect the overall funding available to applicants under the program.

**Small Business Effect:** Potential meaningful.

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## Analysis

**Bill Summary:** The meaning of a “project” under the program is expanded to include installation of infrastructure for renewable energy generation by local jurisdictions and nonprofit organizations, and specifically:

- installation of (1) equipment to make buildings self-sustaining and (2) emergency generating units that use renewable energy resources; and
- implementation of methane removal at landfills.

Additional local government entities eligible to receive loans under the program include:

- a special district established by State law that operates within a single county;
- a special district established by a county under public general law; and
- an office, board, or department established in a county under State law that is funded at least in part by the county governing body.

A loan may be deposited into a revolving loan fund of a county’s economic development commission if the county approves the transaction and project for the local jurisdiction. The funds deposited, however, must be used only for purposes of providing capital for renewable energy infrastructure projects.

A project implemented by a local jurisdiction under the program, that generates excess electricity, may offer the extra electricity for trade through markets operated by PJM Interconnection, LLC. Proceeds from such trading must be used to repay the local jurisdiction’s loan obligations under the program.

“Renewable energy resource” has the meaning defined under the Public Utility Companies Article, including solar, wind, and biomass (including waste-to-energy and landfill gas recovery) resources.

**Current Law:** The Jane E. Lawton Conservation Loan Program, administered by the Maryland Energy Administration, was established under Chapters 466 and 467 of 2008 to provide financial assistance in the form of low interest loans to nonprofit organizations, local jurisdictions, and eligible businesses, for improvements or modifications that enhance the energy efficiency and reduce the operating expenses of a structure. The program is a consolidation of two formerly separate programs: the Community Energy Loan Program and the Energy Efficiency and Economic Development Loan Program.

The Jane E. Lawton Conservation Fund was also established under Chapters 466 and 467. The fund consists of money appropriated in the State budget to the program, money received from any public or private source, interest and investment earnings, and loan repayments and prepayments. The fund is used to pay the expenses of the program and provide loans to eligible borrowers and projects.

Loans made under the program must be repayable by the borrower from specified revenues that may include the energy cost savings generated by a project. The loans must also be repayable in accordance with a schedule set by MEA, which may be on a deferred payment basis. The loans bear interest at a rate determined by MEA to be necessary and reasonable for the project. Each borrower must also make a contribution to a project of a type and amount acceptable to MEA.

The loans may be used for the costs of implementing projects; the costs of procuring necessary technology, equipment, licenses, or materials; and the costs of construction, rehabilitation, or modification, including the purchase and installation of any necessary machinery, equipment, or furnishings.

**Background:** The proposed fiscal 2010 State budget includes a special fund capital appropriation of \$6.75 million for the Jane E. Lawton Conservation Loan Program, a significant portion of which would be accounted for with money transferred from the Strategic Energy Investment Fund (SEIF). SEIF is the repository for the carbon dioxide allowance auction revenues received as part of Maryland's involvement in the Regional Greenhouse Gas Initiative.

The Budget Reconciliation and Financing Act of 2009 (BRFA) (HB 101/SB 166), however, changes the distribution of funding from SEIF, increasing the amount allowed to be distributed to the Department of Human Resources (DHR) for electricity assistance programs, which may reduce the amount of funding available for the Jane E. Lawton Conservation Loan Program in fiscal 2010 and 2011. The proposed fiscal 2010 State budget allows for a reallocation of the funding in accordance with the modified distribution under the BRFA.

MEA's proposed programs for the use of SEIF money in fiscal 2010 target loans under the Jane E. Lawton Conservation Loan Program toward the low-to-moderate income community (for local housing authorities, affordable housing providers, non-profits, and others) as well as to local governments, non-profits, and businesses in general. MEA indicates the program is "a readily available source of access to below market rate loans for energy-related projects" and "innovative energy technologies are encouraged, as is local job creation and state and national energy security."

MEA's proposed programs for the use of SEIF money in fiscal 2010 also include grants for local governments, non-profits, and for-profit organizations for renewable energy projects.

PJM Interconnection is a regional transmission organization that coordinates the movement of wholesale electricity in all or parts of 13 states and the District of Columbia.

**Local Fiscal Effect:** The bill does not affect the overall funding of the program; however, local governments may benefit from a wider range of projects being eligible for assistance under the program, helping local governments to invest in renewable energy generation as well as energy efficiency and conservation. The bill will also allow additional local government entities to receive funding under the program. The authorization under the bill for excess electricity generated to be offered for trade on the wholesale market (operated by PJM Interconnection, LLC) may increase the affordability of an investment in renewable energy generation for a local government.

**Small Business Effect:** Presumably small businesses in the renewable energy industry may benefit from additional demand for their services to the extent funding under the program causes renewable energy projects to be undertaken. Such an increase in demand presumably may also result in foregone demand for services related to energy efficiency and conservation to the extent funding is diverted away from potential energy efficiency and conservation projects. Small businesses interested in renewable energy generation may also benefit from a wider range of projects eligible for funding under the program. The magnitude of any impact would be dependent on the amount of funding available under the program.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Allegany County, Talbot County, Wicomico County, City of Frederick, City of Glenarden, City of Havre de Grace, Town of Indian Head, Town of Rising Sun, Baltimore City, Department of Natural Resources, Maryland Department of the Environment, Harford County, Maryland Association of Counties, Maryland Energy Administration, Maryland Municipal League, Montgomery County, Public Service Commission, Department of Legislative Services

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