

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE

House Bill 1236 (Delegate Rudolph)
Economic Matters and Ways and Means

Maryland Energy Administration - Clean Energy Loan Payment Program

This bill establishes a Clean Energy Loan Payment Program, administered by the Maryland Energy Administration (MEA), to assist residential and commercial property owners in financing energy efficiency and renewable energy projects. The program is intended to provide financial assistance through loans, loan guarantees, loan subsidies, and other forms of financial assistance approved by MEA and to authorize property owners to repay a loan through a clean energy surcharge on the owner's property tax bill. A Clean Energy Loan Payment Fund is created to implement the program. MEA and the Comptroller must adopt regulations to implement and administer the program.

The bill takes effect June 1, 2009.

Fiscal Summary

State Effect: General fund expenditures may increase significantly to capitalize the Clean Energy Loan Payment Fund in FY 2010 and future years to the extent sufficient funding is not available from other sources. The estimated costs to administer similar programs totaled just under \$600,000 in FY 2009.

Local Effect: Local government expenditures may increase significantly due to any programming changes or additional staff necessary to administer collection of the clean energy surcharge through county property tax systems.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: MEA must establish eligibility requirements for participation in the program regarding energy efficiency improvements and renewable energy devices, property and property owners, and loan terms and conditions.

A residential or commercial property owner may choose to repay a loan through a clean energy surcharge if the energy efficiency improvement or renewable energy device financed with the loan is affixed to the property and all applicable eligibility requirements for participation in the program are met. A clean energy surcharge, including any interest and penalties, constitutes a lien against the property; and a person who acquires property subject to a clean energy surcharge, whether by purchase or other means, assumes the obligation to pay the surcharge. The bill specifies that counties are not required to pass any law to incorporate the clean energy surcharge in the property tax bill.

In providing financial assistance under the program, MEA may coordinate with other financial assistance programs available through other State units, including the Department of Business and Economic Development and the Department of Housing and Community Development.

The Clean Energy Loan Payment Fund is established to make loans and provide other financial assistance under the program and to pay the costs of carrying out the program. The fund consists primarily of loan repayments, money appropriated in the State budget, and money accepted for the benefit of the fund from any other source, public or private.

Current Law/Background: MEA is currently charged under State law with administering a number of programs aimed at encouraging energy efficiency and renewable energy projects in the State. Programs include:

- the Jane E. Lawton Conservation Loan Program – providing low-interest loans to nonprofit organizations, local jurisdictions, and eligible businesses for projects, in order 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 Maryland Strategic Energy Investment Program – established to decrease energy demand and increase energy supply to promote affordable, reliable, and clean energy;

- the Solar Energy Grant Program – providing grants to individuals, local governments, and businesses for a portion of the costs of acquiring and installing photovoltaic (electricity generating) and solar water heating property; and
- the Geothermal Heat Pump Grant Program – providing grants to individuals for a portion of the cost of acquiring and installing a geothermal heat pump.

The proposed fiscal 2010 State budget includes \$106.3 million for the Maryland Strategic Energy Investment Fund (SEIF). The Jane E. Lawton Conservation Loan Program and the Solar Energy and Geothermal Heat Pump grant programs are funded with money from SEIF under the proposed budget.

State Fiscal Effect: General fund expenditures may increase to capitalize the Clean Energy Loan Payment Fund in fiscal 2010 and future years, perhaps significantly. The Solar Energy and Geothermal Heat Pump grant programs, which provide similar assistance (though in the form of grants), were originally funded in the fiscal 2009 State budget (prior to RGGI funding) with just under \$600,000. A minimum amount of funding necessary to create an effective loan program, including costs incurred to carry out the program, cannot be reliably determined at this time. The Solar Energy and Geothermal Heat Pump Grant programs, however, have generated significant interest recently.

Legislative Services advises that, in addition to necessary funding to provide financial assistance under the program, the costs of carrying out the program may be significant. MEA has advised additional staff will be needed to administer the program and it appears contractual services may also be necessary to administer the loans, or other financial assistance provided, and the payment collection process (in cooperation with local governments). To the extent that programming or other costs incurred by local governments will be reimbursed with money from the fund, expenditures will further increase. It is assumed, for the purposes of this Fiscal and Policy Note, that the necessary level of overall funding for the program may be significant.

MEA indicates the possibility that private funds may be able to be leveraged for the assistance under the program. In addition, it is possible that SEIF funding, which may be allocated for the program and economic stimulus funding under the American Recovery and Reinvestment Act of 2009, could be used. To the extent funding is obtained from these other sources, any increase in general fund expenditures may be minimal. If other funding is not obtained, however, it is assumed general fund expenditures may increase more substantially in fiscal 2010 and future years to capitalize the Clean Energy Loan Payment Fund. Otherwise, the program will not be funded.

Local Fiscal Effect: Local government expenditures may increase significantly, due to programming changes necessary to facilitate the collection of the clean energy surcharge on property tax bills and a potential need for additional staff to handle inquiries from property owners, communicate with MEA, and otherwise administer collection of the surcharge through county property tax systems. Any increase in expenditures is expected to vary by county.

Baltimore County, for example, indicates programming changes would include altering the format of the county's tax bill to accommodate an additional field and reprogramming lien certification computer programs to identify and itemize loan payments as liens against properties. To the extent local government costs can be reimbursed with money from the Clean Energy Loan Payment fund, any increase in local government expenditures may be minimal.

Small Business Effect: Small business property owners interested in making energy efficiency improvements or installing renewable energy devices may benefit from the programs. In addition small businesses in the energy efficiency and renewable energy industries may benefit to the extent the program increases demand for their services.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): State Department of Assessments and Taxation; Department of Business and Economic Development; Department of Housing and Community Development; Comptroller's Office; State Treasurer's Office; Maryland Energy Administration; Baltimore, Carroll, Harford, Montgomery, and St. Mary's counties; Department of Legislative Services

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