

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 188
Finance

(Senator Pugh, *et al.*)

Economic Matters

**Maryland Strategic Energy Investment Fund - Allocation of Funds - Low-
Income Renewable Energy Programs**

This bill specifies that energy efficiency and conservation programs, to which a portion of the money received by the Strategic Energy Investment Fund is allocated, include low-income renewable energy programs. The bill also requires that an annual report on the uses and expenditures of the fund include a description and evaluation of the impact of such renewable energy programs directed to the low-income residential sector.

The bill takes effect July 1, 2009.

Fiscal Summary

State Effect: The Maryland Energy Administration (MEA) can comply with the bill's requirements with existing budgeted resources.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: The Maryland Strategic Energy Investment Program was created by Chapters 127 and 128 of 2008 to decrease energy demand and increase energy supply to promote affordable, reliable, and clean energy. The Maryland Strategic Energy Investment Fund was also created, to implement the program. The program and fund are administered by MEA.

Percentage requirements and limits for allocation of the money received each year by the fund, for different purposes, are included in statute. Among those requirements and limits, at least 46% of the money must be allocated for energy efficiency and conservation programs, projects, or activities and demand response programs, of which at least one-half must be targeted to the low-income residential sector (at no cost to participants) and moderate-income residential sector. Money in the fund may also be allocated toward renewable and clean energy programs and initiatives.

The Governor's proposed Budget Reconciliation and Financing Act of 2009 (HB 101/SB 166) would reduce the allocation requirement for energy efficiency and conservation programs, projects, and activities and demand response programs for fiscal 2010 and 2011, requiring instead that at least 17.5% of proceeds from the sale of carbon dioxide (CO₂) allowances under the Regional Greenhouse Gas Initiative (RGGI), the current primary source of revenue for the Maryland Strategic Energy Investment Fund, be allocated for those programs, projects, and activities.

MEA was required to develop a plan for expenditures from the fund for fiscal 2009 and 2010 by December 15, 2008. In addition, MEA must develop a plan for expenditures covering the next three fiscal years by September 1, 2009, and every three years thereafter.

MEA is required to monitor and analyze the impact of each program, project, activity, and investment to ensure that the outcome of each program, project, activity, or investment achieves the purposes of the program, and if not, to take specific measures to address the findings. MEA is also required to, on or before January 1 of each year, report to the Governor and the General Assembly on the uses and expenditures of the Strategic Energy Investment Fund from the prior fiscal year, which must include, among other things, an evaluation of the impact of the programs, projects, activities, and investments directed to low-income or moderate-income residential sectors.

Background: A budget amendment for fiscal 2009 was processed to use money in the Maryland Strategic Energy Investment Fund to increase the overall special fund appropriation in four agencies by \$26.4 million. A significant portion of the funding went to MEA for energy efficiency programs. As mentioned above, revenue for the Maryland Strategic Energy Investment Fund is generated from CO₂ allowance auctions under RGGI (a cooperative effort by 10 northeastern and mid-Atlantic states to reduce CO₂ emissions from electricity generating plants). The proposed fiscal 2010 State budget includes \$106.3 million for the Maryland Strategic Energy Investment Fund.

The low-income and moderate-income energy efficiency programs in the fiscal 2009 and 2010 plans developed by MEA for the use of the fund include:

- funding for no- or low-cost energy efficiency home improvements for families (through the existing Assisted Home Performance Program run in cooperation with the Department of Housing and Community Development and the department's Weatherization Assistance Program);
- grants to local government and community organizations with close ties to low- to moderate-income communities in Maryland, for energy efficiency projects; and
- below market loans to local housing authorities, affordable housing providers, nonprofits, and others serving the low- to moderate-income community for energy related projects.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Energy Administration, Department of Human Resources, Department of Natural Resources, Maryland Department of the Environment, Public Service Commission, Department of Legislative Services

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