

Department of Legislative Services
Maryland General Assembly
2010 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 1067

(Senator Rosapepe, *et al.*)

Finance

Economic Matters

Task Force on Solar Hot Water Systems in Prince George's County

This bill establishes a Task Force on Solar Hot Water Systems in Prince George's County. The Prince George's County government must provide staff for the task force and the Maryland Energy Administration (MEA) may provide technical assistance. The bill specifies that it is the intent of the General Assembly that any technical assistance provided by MEA be provided with MEA's existing resources. A final report with findings and recommendations is due by December 31, 2010.

The bill takes effect June 1, 2010, and terminates December 31, 2010.

Fiscal Summary

State Effect: General fund expenditures may increase to the extent MEA incurs a portion of or all of the cost of consulting services necessary to accomplish the objectives of the task force. The cost of consulting services is not expected to be more than \$250,000 and could even be less than \$100,000 depending on the scope of the work done. Any expense reimbursements for task force members are assumed to be minimal and absorbable within existing budgeted resources.

Local Effect: Prince George's County expenditures increase to the extent the county incurs a portion of or all of the cost of consulting services, as described above.

Small Business Effect: Minimal.

Analysis

Bill Summary: The task force is established to develop a business plan to achieve substantial use of solar hot water systems over a relatively short period of time in a way that saves money for Prince George's County residents and businesses and that reduces carbon emissions. In addition to developing the business plan, the task force must:

- investigate and analyze the use of solar hot water systems in other states and countries to identify ways to support substantial use of solar hot water systems in Prince George's County;
- analyze current federal, State, and local incentives and related existing and potential policy tools to support substantial use of solar hot water systems in Prince George's County;
- analyze policy, financial, market, and other obstacles to implementing solar hot water systems in Prince George's County and ways to overcome the obstacles;
- explore possibilities to use greenhouse gas markets or other market-based incentives to monetize emission reductions and thereby lower the cost of solar hot water systems; and
- identify the best major markets for implementation of solar hot water systems.

The findings and recommendations of the task force must be reported to the Prince George's County Senators, the Prince George's County Delegation, the Prince George's County Council and Executive, the Senate Finance Committee, and the House Economic Matters Committee.

Task force members may not receive compensation but are entitled to reimbursement for expenses under the standard State travel regulations, as provided in the State budget.

Current Law/Background: The U.S. Department of Energy (DOE) indicates that solar hot water is one of the most cost-effective ways to include renewable technologies into a building and that a typical residential solar water heating system reduces the need for conventional water heating by about two-thirds. According to DOE, solar water heating systems, which generally consist of a solar collector and a storage tank, can be active or passive. Active solar water heaters rely on electric pumps and controllers to circulate water or other heat-transfer fluids through the collectors, while passive systems rely on gravity and the natural tendency of water to circulate as it is heated.

According to DOE, the efficiency and reliability of solar heating systems and collectors have greatly increased since the early 1970s. The systems have also become less expensive and current research and development is focused on improving solar technologies to increase their efficiency and affordability.

State incentives for solar water heating systems include grants available under the Solar Energy Grant Program and an exemption of the sale of solar energy equipment, including equipment to provide hot water for use in a structure, from the sales and use tax. MEA administers the Solar Energy Grant Program and may adjust grant amounts to reflect market conditions and prevailing prices of solar energy property, but grants for solar water heating property may not exceed the lesser of \$3,000 or 30% of the total installed cost of the solar water heating property.

State law also authorizes local governments to grant property tax credits for solar energy, geothermal energy, and qualifying energy conservation devices, used to, among other things, provide hot water for use in a structure. Pursuant to State law, Prince George's County offers a real property tax credit to residential structures that use solar or geothermal energy devices. For a solar hot water system, the tax credit is the lesser of 50% of eligible costs or \$1,500.

State Fiscal Effect: General fund expenditures for MEA may increase due to the cost of consulting services necessary to accomplish the objectives of the task force. The potential increase in expenditures will depend on the scope of the work done by the task force and the extent to which MEA is responsible for the cost of consulting services. It is assumed the cost of consulting services will either be incurred by MEA or Prince George's County, or both.

Based on the requirements and objectives of the task force, consulting services are expected to be needed for technical assistance. The bill indicates that MEA *may* provide technical assistance and expresses legislative intent that any technical assistance provided by MEA be provided with existing resources. If existing MEA funding is redirected from other projects to cover the costs of consulting services in order to provide technical assistance for the task force, general fund expenditures may increase to replace redirected funding.

Two recent studies for which MEA employed consulting services cost approximately \$100,000 and \$250,000, respectively. The \$250,000 study had a much broader scope than the study required under the bill, but may at least provide an upper limit to the potential costs to be incurred under the bill. The \$100,000 study may be more comparable to the study required by this bill, and MEA indicates that limiting the scope of work undertaken by the task force could even reduce costs below \$100,000.

Local Fiscal Effect: To the extent Prince George's County incurs a portion of or all of the costs of consulting services expected to be needed for the task force, Prince George's County expenditures will increase. Providing staff for the task force is expected to be handled with the county's existing resources.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Energy Administration, Prince George's County,
U.S. Department of Energy, Department of Legislative Services

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