

**Department of Legislative Services**  
Maryland General Assembly  
2012 Session

**FISCAL AND POLICY NOTE**

House Bill 996  
Economic Matters

(Delegate Mizeur, *et al.*)

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**Renewable Energy for All Act**

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This bill establishes a Residential Biomass Heating System Grant Program within the Maryland Energy Administration (MEA) to provide grants to individuals for a portion of the costs of acquiring and installing eligible pellet and nonpellet biomass heating systems. MEA is also authorized to award additional trade-in grants under specified conditions. MEA must allocate between \$100,000 and \$500,000 of existing resources for grants awarded under the program each year.

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**Fiscal Summary**

**State Effect:** General fund expenditures increase by at least \$156,400 and possibly by as much as \$556,400 in FY 2013, accounting for replacement of special funds redirected from existing programs to the program established by the bill and the cost to hire an additional staff person to administer the new program. Future years reflect ongoing replacement funding and personnel expenditures.

(in dollars)	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	156,400	170,100	174,800	178,400	182,100
Net Effect	(\$156,400)	(\$170,100)	(\$174,800)	(\$178,400)	(\$182,100)

*Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect*

**Local Effect:** None.

**Small Business Effect:** Potential meaningful.

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## Analysis

**Bill Summary:** The bill creates the Residential Biomass Heating System Grant Program. MEA must administer the program, establish application procedures, and allocate at least \$100,000 and not more than \$500,000 of existing MEA resources for grants awarded under the program each year. If applications for grants under the program do not reach \$100,000 in a given year, funds not awarded under the program may be used for other authorized purposes. As part of the program, MEA is also authorized to provide grant applicants with information on energy audit, energy assistance, and weatherization programs in the State.

The grant amount to acquire and install either an eligible pellet biomass heating system or an eligible nonpellet biomass heating system may not exceed the lesser of \$1,500 or 40% of the installed cost of the system for an individual with a gross annual household income of \$75,000 or less. For an individual with a gross annual household income of more than \$75,000, the grant amount may not exceed the lesser of \$1,500 or 30% of the installed cost of the biomass heating system.

A grant to acquire and install an eligible nonpellet biomass heating system, however, may be awarded only if the grant recipient's primary household heating fuel is electricity, heating oil, or propane. Grant recipients must use a certified installer.

The bill defines the terms "biomass heating system," "eligible pellet biomass heating system," and "eligible nonpellet biomass heating system." Among other things, the definitions require that such systems meet specified particulate emissions limits.

MEA is also authorized to award a trade-in grant to an individual who receives a grant under the program if the eligible system *replaces* a biomass heating system that is not certified by the U.S. Environmental Protection Agency. A trade-in grant may not exceed \$250 and is in addition to any other grant awarded under the program. For such grants, MEA must require the seller or installer of the system to certify that the grant recipient surrendered an uncertified system and verify that the surrendered system is demolished.

### Current Law:

#### *MEA Grant/Loan Programs*

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 and the development and use of renewable energy, 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.

**Background:** According to the U.S. Energy Information Administration, biomass accounted for about 4.1% of the total energy consumed in the United States in 2009. Biomass (specifically wood and wood pellet fuels) energy consumed for *residential* purposes accounted for approximately 5.7% of the total amount of renewable energy consumed in 2009 and accounted for nearly 80% of the renewable energy consumed by the residential sector.

The Alliance for Green Heat (AGH), a nonprofit organization that promotes high-efficiency wood combustion as a low-carbon, sustainable, local, and affordable heating solution, estimates, based on U.S. Census information and national trends, that about 283,000 Maryland homes may use wood or pellets for heat (accounting for both stoves and fireplaces). Only about 10% of those homes, however, use wood or pellets as a primary or sole heat source. AGH indicates that residential biomass heating systems generally range in price from \$1,000 to \$4,000, with installation being an additional \$500 to \$1,500.

The Maryland Wood Energy Coalition, organized by the University of Maryland Extension and the Department of Natural Resources, released a report in February 2012 on advanced biomass thermal technology in the State. The report details a wide array of policy options and technical considerations to increase the use of woody biomass for thermal energy, noting that wood is an underutilized renewable energy source in Maryland. The report includes a number of recommendations to support residential scale thermal biomass, one of which, similar to the program established by the bill, is a

program to provide low-interest loans or outright grants for biomass appliance assistance for homeowners. The report indicated that the program could provide a scaled financing system favoring low-income consumers.

**State Fiscal Effect:** General fund expenditures increase by at least \$156,396 and by as much as \$556,396 in fiscal 2013, which accounts for the bill's October 1, 2012 effective date. This estimate reflects general fund expenditures of between \$100,000 and \$500,000 to replace special funds redirected from other MEA programs to the Residential Biomass Heating System Grant Program each year and the cost of hiring an additional staff person (\$56,396 in fiscal 2013) to administer the program. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

The bill requires MEA to allocate at least \$100,000 and not more than \$500,000 of existing administration resources for grants awarded under the program each year, but doing so would be at the expense of other programs. It is therefore assumed that general funds would be required to replace the redirected funding. MEA indicates that it would need an additional staff person devoted solely to administering the program. Existing staff are not able to handle the extra workload.

Position	1
Salary and Fringe Benefits	\$51,498
One-time Start-up Costs	4,485
Operating Expenses	413
Replacement Funding	<u>100,000</u>
<b>Total FY 2013 State Expenditures</b>	<b>\$156,396</b>

Future year expenditures reflect a full salary with annual increases and employee turnover as well as annual increases in ongoing operating expenses, and ongoing replacement funding.

**Small Business Effect:** Various small businesses could benefit from the bill to the extent the grant program increases the sales, installation, and use of residential biomass heating systems. Small business hearth and hardware stores that sell and/or install residential biomass heating systems and sell pellet fuel may be meaningfully impacted. Small business cordwood (wood sold in bulk) dealers could also benefit from increased demand if purchases of residential biomass heating systems increase in the State.

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### **Additional Information**

**Prior Introductions:** HB 829 of 2011, a similar bill, received a hearing in the House Economic Matters Committee but no further action was taken.

**Cross File:** None.

**Information Source(s):** Maryland Energy Administration, Maryland Department of Agriculture, Department of Housing and Community Development, U.S. Energy Information Administration, Alliance for Green Heat, Maryland Wood Energy Coalition, Department of Legislative Services

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