

Department of Legislative Services
Maryland General Assembly
2012 Session

FISCAL AND POLICY NOTE

House Bill 637 (Delegate Serafini)

Health and Government Operations and
Economic Matters

**State Finance and Procurement - Renewable Energy Resources - Lease of State
Property**

This bill prohibits the Board of Public Works (BPW) from approving a lease of renewable energy resources on property owned by the State unless the lease is approved by the Legislative Policy Committee (LPC) or the full General Assembly.

Fiscal Summary

State Effect: Potential reduction in general fund revenues to the extent that the requirement for LPC or General Assembly approval either delays the execution of a lease for renewable energy resources or results in the disapproval of a lease that otherwise would be approved by BPW. Any reduction in revenue may be offset by revenue generated by the bill's requirement that the State collect royalty payments on future renewable energy leases, which is not currently required by statute. The net effect cannot be determined. No effect on expenditures.

Local Effect: None.

Small Business Effect: Potential meaningful for small businesses that negotiate renewable energy leases with the State.

Analysis

Bill Summary: The bill specifies that geothermal resources are included in the statutory definition of renewable energy resources. On any State lease for renewable energy

resources, BPW must charge both an annual rental fee and royalties on the energy produced in amounts that each maximize the economic return to the State.

BPW must forward specified information on each lease to LPC by electronic mail and certified mail. Within 45 days of receiving the information, LPC must either approve the proposed lease or refer the lease to the full General Assembly. If LPC fails to take either action within 45 days, the lease is deemed to be approved. If the lease is forwarded to the full General Assembly, BPW may not approve the lease unless the General Assembly passes legislation approving the lease during the next legislative session.

Current Law: Subject to the approval of BPW, any real property owned by the State may be sold, leased, transferred, exchanged, granted, or otherwise disposed of to any person, to the United States, to another State unit, or to a county or municipal government. The sale, transfer, grant, or exchange (but not the leasing) of specified categories of State-owned land declared to be surplus to the needs of the State are subject to review and approval by either LPC or the full General Assembly in similar fashion to the process established by the bill.

Geothermal resources located on State-owned property may be sold, leased, transferred, exchanged, granted, or otherwise disposed of to any person, subject to any conditions imposed by the Department of Natural Resources and BPW approval. There are no provisions in statute addressing the leasing of other renewable energy sources on State property.

Background: In July 2011, BPW approved a lease of 250 acres of State-owned land in Washington County to Maryland Solar LLC for the development of a solar power farm. The 20-year lease, which was publicly bid and for which Maryland Solar was the sole bidder, included an annual payment of \$32,050 for the first three years, and 3% annual increases. Maryland Solar proposes to build a 20-megawatt solar farm on the land, which would double the solar power wattage on the State's grid and make it the largest solar farm in the State. The lease did not include any payment of royalties to the State, nor did it include any State commitment to purchase power generated by the farm.

Small Business Effect: Small businesses that negotiate leases for renewable energy resources with the State will have to wait for LPC or General Assembly approval for their lease, which could delay the execution of the lease or increase the chances of the lease not being approved. They will also have to pay royalties on renewable energy generated as a result of their leases.

Additional Information

Prior Introductions: None.

Cross File: SB 513 (Senator Shank) - Education, Health, and Environmental Affairs and Finance.

Information Source(s): Board of Public Works, Department of Budget and Management, Department of Natural Resources, Department of General Services, Maryland Energy Administration, Public Service Commission, Department of Legislative Services

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