Department of Legislative Services

Maryland General Assembly
2016 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 912 (Senator Feldman)
Finance Economic Matters

Clean Energy Loan Program - Residential Property - Study

This bill requires the Maryland Clean Energy Center (MCEC) to conduct a study to determine optimal design and implementation strategies for a residential clean energy loan program in the State. The study must include consideration of whether the strategies will work advantageously with loans made by private lenders for residential energy efficiency and renewable energy projects. MCEC must consult with specified entities when conducting the study, including the Maryland Energy Administration (MEA) and the Maryland Association of Counties, among others. By October 1, 2016, MCEC must report to the General Assembly the findings of the study and any recommended policy actions to implement a residential clean energy loan program.

The bill takes effect June 1, 2016.

Fiscal Summary

State Effect: If MCEC receives operating funds for FY 2017, MCEC can conduct the study within the scope of that funding. The proposed fiscal 2017 budget includes operating funding for MCEC, contingent upon passage of House Bill 705/Senate Bill 726. Absent funding, MCEC runs out of money after May 2016 and, therefore, cannot complete the study.

Local Effect: Minimal.

Small Business Effect: None.

Analysis

Current Law: A county or municipality may enact an ordinance or a resolution to establish a clean energy loan program. The purpose of a clean energy program established by a local government is to provide loans to:

- residential property owners, including low-income residential property owners, to finance energy efficiency and renewable energy projects; and

- commercial property owners to finance (1) energy efficiency projects and (2) renewable energy projects with an electric generating capacity of 100 kilowatts or less.

Subject to the conditions specified below for commercial property, a program must require a property owner to repay a loan through a surcharge on the owner's property tax bill. The surcharge must be limited to an amount that allows the local government to recover the costs associated with issuing bonds to finance the loan and costs associated with administering the program.

With the express consent of any holder of a mortgage or deed of trust on a commercial property that is to be improved through a loan under the program (1) a county or municipality may collect loan payments owed to a private lender or to the county or municipality and costs associated with administering the program, through a surcharge on the property owner's property tax bill; (2) an unpaid surcharge is, until paid, a lien on the real property it is imposed on; and (3) State law provisions applicable to a property tax lien also apply to an unpaid surcharge lien.

A private lender may provide capital for a loan provided to a commercial property owner (not a residential property owner) under the program.

Background:

Property Assessed Clean Energy Programs

Chapter 743 of 2009 first authorized local governments to enact ordinances or resolutions establishing clean energy loan programs, subject to specified requirements. Chapter 472 of 2014 authorized private lenders to provide capital for a commercial loan provided under a local clean energy loan program.

Property-assessed clean energy (PACE) programs, where payments are made through a property owner's property tax bill, can provide a property owner the benefit of being able to finance costly clean energy improvements over time and have the responsibility for the financing payments be tied to the property rather than the property owner. MEA has advised in the past that concerns were raised by some county governments about the legality and appropriateness of using property tax billing and collection mechanisms to recover payments for loans made by private lenders for energy efficiency and renewable energy improvements. Those concerns had been cited as barriers to implementing PACE programs in the State.

According to MCEC, as of February 2016, Montgomery and Anne Arundel counties had enacted local ordinances establishing clean energy loan programs, and Charles, Howard, Frederick, and Queen Anne's counties were in the process of doing so.

Maryland Clean Energy Center

MCEC was established by Chapter 137 of 2008 to generally promote and assist the development of the clean energy industry in the State; promote the deployment of clean energy technology in the State; and collect, analyze, and disseminate industry data. MCEC is authorized to make grants to or provide equity investment financing for clean energy technology-based businesses.

Additional Information

Prior Introductions: None.

Cross File: HB 387 (Delegate Barkley) - Economic Matters.

Information Source(s): Maryland Energy Administration; State Department of Assessments and Taxation; Judiciary (Administrative Office of the Courts); Maryland Municipal League; Maryland Clean Energy Center; Charles, Dorchester, and Montgomery counties; Department of Legislative Services

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