HB 1206

Department of Legislative Services

Maryland General Assembly
2020 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1206 (Delegate Rosenberg)
Economic Matters

Clean Energy and Energy Efficiency - Investment in Disadvantaged Communities

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This bill requires the Maryland Department of the Environment (MDE), in consultation with the Commission on Environmental Justice and Sustainable Communities, to designate disadvantaged communities. The commission must then develop policies and recommendations to place the highest priority on overall spending on clean energy and energy efficiency programs, projects, and investments in the State to benefit those disadvantaged communities no later than 2026. State and local governmental units, in consultation with the commission, MDE, the Commission on Climate Change, the Public Service Commission (PSC), and the Maryland Energy Administration (MEA), must, to the extent practicable, invest or direct specified programmatic resources in a manner designed to achieve the priorities established under the bill for disadvantaged communities.

Fiscal Summary

State Effect: General fund expenditures increase by $121,600 in FY 2021; future years reflect annualization. Overall finances of the affected programs are unchanged, but the bill changes the priority for spending those funds, as discussed below.

(in dollars)	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Revenues	$0	$0	$0	$0	$0
GF Expenditure	121,600	143,800	147,200	152,300	157,500
Net Effect	($121,600)	($143,800)	($147,200)	($152,300)	($157,500)

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

Local Effect: Local revenues and expenditures could be affected by the bill's changes, but any such impact cannot be reliably estimated at this time.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary:

Identifying and Designating Disadvantaged Communities

Disadvantaged communities must be identified based on geographic, public health, environmental hazard, and socioeconomic criteria, as specified. Before finalizing the criteria for identifying disadvantaged communities, and before identifying and designating disadvantaged communities, MDE must publish draft criteria and a draft list of disadvantaged communities and make that information available on its website.

Priority Policies and Recommendations for Prioritizing Spending

The priority for spending developed by the commission under the bill applies to spending on clean energy and energy efficiency programs, projects, and investments in the areas of housing, workforce development, pollution reduction, low-income energy assistance, energy, transportation, and economic development. The spending on programs, projects, and investments includes clean energy and energy efficiency programs that are wholly or partly funded under (1) the Small, Minority, and Women-Owned Business Account (SMWOBA) within the Department of Commerce (Commerce); (2) the Clean Energy Workforce Account within the Maryland Department of Labor (MDL); and (3) the Jane E. Lawton Conservation Loan Program (JELLP), the Strategic Energy Investment Program, and the Maryland Offshore Wind Business Development Fund (MOWBDF) within MEA.

As an interim aim, the State should place a high priority on directing spending on clean energy and energy efficiency programs, projects, and investments to benefit disadvantaged communities in years 2022 through 2025.

To achieve these priorities, the commission must consult with MDE, PSC, MEA, other relevant units of State and local government, and representatives of disadvantaged communities, clean energy industries and related energy interests, environmental advocates, and the general public. The commission must also conduct public information gathering sessions throughout the State to solicit input from disadvantaged communities and the public.

After consulting with the public, the commission must work with MDE, the Commission on Climate Change, PSC, and MEA to coordinate and develop specific recommendations concerning identification of, and providing assistance to, disadvantaged communities (including recommended legislative and regulatory changes to achieve the bill's priorities).

The commission must review its guidelines and recommendations annually, as specified, and may recommend modifications based on new data and other information. By October 1, 2022, and annually thereafter, the commission must submit a report of its activities and recommendations to the Governor and the General Assembly.

State and Local Governments

State and local governments, in consultation with the commission, MDE, the Commission on Climate Change, PSC, and MEA, must, to the extent practicable, invest or direct available and relevant programmatic resources in a manner designed to achieve the priorities for disadvantaged communities established under the bill.

Current Law/Background:

Commission on Environmental Justice and Sustainable Communities

The Commission on Environmental Justice and Sustainable Communities within MDE was established by executive order in 2001 and codified in 2003. The commission is tasked with examining issues of "environmental justice" and sustainable communities for all Marylanders. To this end, the commission reviews and analyzes the environmental justice implications of current State policy, laws, and regulations; assesses the adequacy of State and local laws to address the issue of environmental justice and sustainable communities; coordinates with the Children's Environmental Health and Protection Advisory Council on recommendations to further environmental justice and sustainable communities; develops criteria to assess whether communities may be experiencing environmental justice issues; and recommends options to the Governor for addressing issues, concerns, or problems related to environmental justice. "Environmental justice" means equal protection from environmental and public health hazards for all people regardless of race, income, culture, and social status.

Strategic Energy Investment Fund

The Strategic Energy Investment Program within MEA has the stated purpose of decreasing energy demand and increasing energy supply to promote affordable, reliable, and clean energy to fuel Maryland's future prosperity. The program is supported by the Strategic Energy Investment Fund (SEIF), which receives, among other funding, auction proceeds from the State's participation in the Regional Greenhouse Gas Initiative (RGGI). The proceeds received by SEIF from RGGI are subject to statutory allocations.

Small, Minority, and Women-Owned Businesses Account

State Law generally requires that 1.5% of video lottery terminal proceeds at each licensed video lottery facility be paid into SMWOBA. The account, which was established in 2007, is a special, nonlapsing fund that is administered by Commerce. The purpose of the account is to provide investment capital and loans to small, minority, and women-owned businesses in the State. At least 50% of such activity must be allocated to eligible businesses in the jurisdictions and communities surrounding a video lottery facility. Chapter 757 of 2019 requires MEA to use SEIF to provide $7.0 million in funding for access to capital for small, minority, women, and veteran-owned businesses in the clean energy industry under SMWOBA, subject to specified conditions. This funding is required to be allocated in annual increments from fiscal 2021 through 2028.

EARN Program and the Clean Energy Workforce Account

The Maryland Employment Advancement Right Now (EARN) program, administered by MDL, was established in 2013 to create industry-led partnerships to advance the skills of the State's workforce, grow the State's economy, and increase sustainable employment for working families. Specifically, the program provides general fund grants on a competitive basis for industry partnerships, workforce training programs, and job-readiness and skills training.

Chapter 757 requires MEA to use SEIF to invest in pre-apprenticeship, youth apprenticeship, and registered apprenticeship programs to establish career paths in the clean energy industry under the EARN program. Subject to specified requirements, starting in fiscal 2021, $1.5 million must be transferred for grants to pre-apprenticeship jobs training programs and $6.5 million must be transferred for grants to youth and registered apprenticeship jobs training programs until all amounts are spent. Chapter 757 also established the Clean Energy Workforce Account in the EARN program to receive and disburse the transfers as grants.

Jane E. Lawton Conservation Loan Program

The stated purpose of JELLP within MEA is to provide financial assistance in the form of low-interest and zero interest loans to nonprofit organizations, local jurisdictions, State agencies, and eligible businesses for projects to (1) promote energy conservation; (2) reduce consumption of fossil fuels; (3) improve energy efficiency; and (4) enhance energy-related economic development and stability in the nonprofit, commercial, and industrial sectors.

Maryland Offshore Wind Business Development Fund

Chapter 3 of 2013 (The Maryland Offshore Wind Energy Act) established MOWBDF within MEA to (1) provide financial assistance, business development assistance, and employee training opportunities to emerging businesses in the State to prepare them to participate in the emerging offshore wind industry and (2) encourage emerging businesses in the State to participate in the emerging offshore wind industry. In addition to other sources of revenue, developers of approved offshore wind projects must each deposit $6.0 million into the fund over about two years. MEA is authorized to use the fund to carry out the purposes of the fund and for implementation costs.

EmPOWER Maryland

In 2008, the General Assembly passed the EmPOWER Maryland Energy Efficiency Act, which set target reductions of 15% in per capita electricity consumption and peak demand, respectively, by 2015 from a 2007 baseline. Legislation in 2017 extended the program through its 2018-2020 and 2021-2023 program cycles and established a new annual energy savings goal of 2.0% per year, based on each electric company's 2016 sales. Approved program costs are recovered by electric companies on customer bills.

State Fiscal Effect:

Maryland Department of the Environment

General fund expenditures increase by $121,571 in fiscal 2021, which accounts for the bill's October 1, 2020 effective date. This estimate reflects the cost of hiring one natural resource planner and one GIS analyst to (1) designate communities as disadvantaged in accordance with the bill, including publishing the draft criteria and communities on its website; (2) assist the commission with developing policies and recommendations on spending priorities; and (3) assist the commission with conducting an ongoing review of the policies developed under the bill and submitting the annual report. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses. The information and assumptions used in calculating the estimate are stated below:

- MDE formed a similar workgroup several years ago that attempted to identify disadvantaged communities using a less comprehensive approach; that workgroup disbanded after several months and was ultimately not successful in identifying disadvantaged communities; and
- identifying disadvantaged communities pursuant to the bill requires significant effort and ongoing, permanent staff.

Positions	2
Salaries and Fringe Benefits	$110,838
Operating Expenses	10,733
Total FY 2021 MDE Administrative Costs	**$121,571**

Future year expenditures reflect full salaries with annual increases and employee turnover and ongoing operating expenses.

Priority Spending to Benefit Disadvantaged Communities

Overall finances of any affected programs are not affected. However, the bill changes the priority for spending under several clean energy and energy efficiency programs in the State. Since the priority spending policies are not yet developed and disadvantaged communities have not yet been identified, a reliable estimate of how the bill redirects existing spending cannot be made at this time.

At a minimum, the bill establishes new spending priorities for five existing funds/accounts: (1) SMWOBA; (2) the Clean Energy Workforce Account; (3) JELLP; (4) SEIF; and (5) MOWBDF. These funds/accounts are administered by MEA, Commerce, and MDL. It is assumed that these agencies can implement the priority policies, consult with MDE and the commission, and contribute to the bill's reporting requirements with existing budgeted resources.

The affected accounts and funds noted above fund a wide variety of programs and initiatives, including (1) providing loans and investment capital to small, minority, and women-owned businesses in the State; (2) providing grants and funding for workforce training programs and skills training; (3) providing financial assistance to promote energy conservation and reduce consumption of fossil fuels; and (4) providing financial assistance to businesses to prepare them to participate in the offshore wind industry.

Other State programs and activities may also be affected to the extent they involve clean energy and energy efficiency programs, projects, and investments in the areas of housing, workforce development, pollution reduction, low-income energy assistance, energy, transportation, and economic development.

Local/Small Business Effect: Although the bill does not impact the overall finances of the affected programs, spending is redirected under the bill. This likely means some local jurisdictions and small businesses benefit from an increase in funding under the bill, while others lose funding. Since, taken together, the affected programs have considerable funding, the impact could be meaningful. However, without more detail on the priority spending policies developed and the designation of disadvantaged communities, a reliable estimate of the bill's impact cannot be made.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): Department of Commerce; Baltimore City; Harford and Montgomery counties; Maryland Association of Counties; Maryland Municipal League; Maryland Department of the Environment; Maryland Department of Labor; Department of Natural Resources; Maryland Energy Administration; Public Service Commission; Department of Legislative Services

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