Department of Legislative Services

Maryland General Assembly
2021 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 54 (Chair, Finance Committee)(By Request - Departmental - Maryland Energy Administration)

Finance

Local Government – Clean Energy Loan Programs – Grid Resilience Projects

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This departmental bill expands the types of projects that may be financed under a clean energy loan program enacted by a county or municipality, by adding grid resilience projects when installed with energy efficiency projects or renewable energy projects. The bill requires eligibility requirements for grid resilience measures under a program to be established by the local ordinance or resolution that establishes a clean energy loan program.

Fiscal Summary

State Effect: The bill is not expected to materially affect State finances.

Local Effect: The bill is not expected to materially affect local government finances since current programs – while utilizing the county property tax bill for debt service – are financed through private lenders.

Small Business Effect: The Maryland Energy Administration (MEA) has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs that the bill does not negatively impact small businesses, but notes that the bill may have a meaningful positive impact on small business property owners and small business contractors, to the extent the bill allows for grid resilience projects to be undertaken that may otherwise be financed on less favorable terms or not undertaken at all.

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 program is to provide loans to residential property owners, including low-income residential property owners, and commercial property owners, to finance energy efficiency projects and renewable energy projects. A private lender may provide capital for a loan provided to a commercial property owner under the program. "Commercial property" is defined as real property that is (1) not designed principally or intended for human habitation or (2) used for human habitation and is improved by more than four single-family dwelling units.

A clean energy loan program must require a property owner to repay a loan under the program through a surcharge on the owner's property tax bill. A person who acquires property subject to a surcharge assumes the obligation to pay the surcharge. A county or municipality may not set a surcharge greater than an amount that allows the county or municipality to recover the costs associated with (1) issuing bonds to finance the loan and (2) administering the program. However, with respect to commercial property, 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 to the commercial property owner under the program:

- a county or municipality may collect loan payments owed to a private lender or to the county or the municipality for a loan to a commercial property owner, and costs associated with administering the program, through a surcharge on the property owners' property tax bill;
- an unpaid surcharge is, until paid, a lien on the real property on which it is imposed from the date it becomes payable; and
- specified statutory provisions that apply to a tax lien also apply to a lien created by an unpaid surcharge.

Background: MEA indicates that grid resilience projects facilitate the implementation of equipment that can improve energy efficiency and maximize the use of renewable energy projects while helping to improve the efficiency and operation of the electric grid. The projects include, but are not limited to, micro grids and energy storage. MEA indicates that grid resilience projects can also (1) provide electricity during outages; (2) reduce the number of customers without electricity after system events; and (3) reduce economic and productivity losses due to power outages.

Additional Information

Prior Introductions: HB 853 of 2020 passed the House with amendments and was referred to the Senate Rules Committee, but no further action was taken.

Designated Cross File: None.

Information Source(s): Maryland Energy Administration; Anne Arundel, Baltimore, Charles, Frederick, and Somerset counties; City of Havre de Grace; Department of Legislative Services

Fiscal Note History: First Reader - January 15, 2021
rh/lgc

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Local Government – Clean Energy Loan Programs – Grid Resilience Projects

BILL NUMBER: SB54

PREPARED BY: Landon Fahrig - Legislative Liaison

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

__X__ WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

OR

____ WILL HAVE A MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

No negative impacts are anticipated. This bill alters the Clean Energy Loan Program, enabling a greater diversity of projects to be financed by small businesses.