

Department of Legislative Services
Maryland General Assembly
2022 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1263 (Delegate P. Young, *et al.*)
Environment and Transportation

Environment – Office on Climate Change – Establishment

This bill establishes the Office on Climate Change (OCC) within the Office of the Governor. The purpose of OCC is to (1) facilitate the implementation of the Maryland Department of the Environment’s (MDE) Maryland Commission on Climate Change’s (MCCC) recommendations; (2) ensure that each State agency considers and addresses climate change as it relates to the agency and its operations; (3) initiate and oversee, as necessary, climate change research and investigations, as specified; (4) assist local governments in the development of local climate change plans; and (5) report annually to the Governor and the General Assembly regarding the State’s efforts to mitigate the causes of, prepare for, and adapt to the consequences of climate change. The bill enumerates specified responsibilities for OCC.

Fiscal Summary

State Effect: General funds expenditures increase significantly beginning in FY 2023 (easily by \$1.5 million on an annualized basis) for the Governor’s Office to develop a comprehensive OCC. State revenues are not affected.

Local Effect: To the extent that local governments are responsible for developing local climate change plans, local expenditures may increase, potentially significantly, as discussed below. Local revenues are not directly affected but could be affected to the extent OCC identifies resources for local governments to implement local climate change plans.

Small Business Effect: None. Small businesses are not directly affected.

Analysis

Bill Summary: OCC must (1) coordinate with MCCC to ensure the commission's recommendations are implemented; (2) ensure that each State agency addresses ways the agency can mitigate the causes of climate change and the impacts of climate change in the agency's programs, policies, and financial expenditures; (3) initiate and oversee any additional research or investigations OCC determines are necessary to address factors that it determines are substantial in fighting climate change, but are not included in MCCC's recommendations; and (4) work with local governments to develop and implement local climate change plans and identify resources needed for the implementation of such plans.

OCC must also submit an annual report to the Governor, the General Assembly, and specified committees of the General Assembly regarding the State's efforts to mitigate the causes of, prepare for, and adapt to the consequences of climate change.

Current Law:

Maryland Commission on Climate Change

MCCC, originally created by executive order, was codified in statute pursuant to Chapter 429 of 2015 to advise the Governor and the General Assembly on ways to mitigate the causes of, prepare for, and adapt to the consequences of climate change. MCCC is required to submit annual updates to the Governor and the General Assembly on the State's efforts to mitigate the causes of, prepare for, and adapt to the consequences of climate change, including any future plans and recommendations for legislation. MDE and the Department of Natural Resources jointly staff the commission.

Statute specifies that MCCC must establish a scientific and technical working group; a greenhouse gas (GHG) mitigation working group; an adaptation and response working group; and an education, communication, and outreach working group; MCCC is authorized to establish other working groups as needed. MCCC is required to prioritize specific working group actions, such as developing broad public and private partnerships with local, State, and federal agencies; addressing any disproportionate impacts of climate change on low-income and vulnerable communities; and assessing the impacts that climate change may have on the State's economy, revenues, and investment decisions, among other things.

Each State agency is also required to review its planning, regulatory, and fiscal programs to identify and recommend actions to more fully integrate the consideration of the State's GHG reduction goal and the impacts of climate change. Each agency must identify and recommend specific policy, planning, regulatory, and fiscal changes to existing programs

that do not currently support the State's GHG emissions reduction efforts or address climate change.

Specified State agencies are also required to annually report to the commission and the Governor on the status of programs that support the State's GHG emissions reduction efforts or address climate change.

The Maryland Department of the Environment's Climate Change Program

MDE's Climate Change Program leads the State's efforts to reduce GHG emissions, as required by the GHG Emissions Reduction Act and participation and oversight in other initiatives, including the Regional Greenhouse Gas Initiative (RGGI) and MCCC.

The GHG Emissions Reduction Act, originally enacted in 2009 and made permanent and expanded in 2016, was enacted in light of Maryland's particular vulnerability to the impacts of climate change. Under the Act, the State was required to develop plans, adopt regulations, and implement programs to GHG emissions by 25% from 2006 levels by 2020 and must further reduce GHG emissions by 40% from 2006 levels by 2030; the 2030 reduction requirement terminates December 31, 2023. MDE released its final 2030 plan in February 2021.

Maryland also participates in the multi-state RGGI in order to reduce carbon dioxide (CO₂) emissions from the power sector. Each participating state limits CO₂ emissions from electric power plants, issues CO₂ allowances, and establishes participation in CO₂ allowance auctions. A single CO₂ allowance represents a limited authorization to emit one ton of CO₂.

State Expenditures: General fund expenditures for the Governor's Office increase significantly on an annual basis beginning in fiscal 2023 to develop a comprehensive OCC within the Office of the Governor.

The Governor's Office estimates that it needs to hire 16.5 new employees – 8.5 regular employees (1 program manager, 1 regulatory compliance engineer, 2 natural resources planners, 1 technical grant writer, 1 fiscal employee, 1 program manager, and 1 part-time assistant Attorney General) and 8.0 contractual employees (4 natural resources planners, and 4 administrators) – to (1) establish the new office and facilitate the implementation of MCCC's recommendations; (2) initiate and oversee any additional research or investigations deemed necessary; (3) assist local governments in the development of local climate change plans; and (4) develop and submit annual reports. The Governor's Office estimates that general fund expenditures increase by \$1.9 million in fiscal 2023 and by at least \$2.1 million annually thereafter as a result.

The Department of Legislative Services (DLS) is unable to independently verify the Governor's Office's estimate without actual experience under the bill, and notes that in large part, actual costs depend on the robustness of OCC's activities, the research that is determined to be necessary, and the extent to which OCC is responsible for developing local climate change plans. Accordingly, a reliable estimate of the increase in costs cannot be made at this time. Even so, it is anticipated that general fund expenditures increase significantly and could easily exceed \$1.5 million on an annualized basis beginning in fiscal 2023.

DLS acknowledges that this estimate is substantially different than the estimate included in the fiscal and policy note for House Bill 503 of 2021, a virtually identical bill. This year's estimate is based on additional information submitted by the Governor's Office regarding its interpretation of the requirements for OCC under the bill. More specifically, the Governor's Office advises that it typically provides an oversight role and that the estimate for this bill is based not only on current costs to operate MCCC but also a more complete understanding that the bill creates a new, comprehensive OCC within the Governor's Office (rather than merely a coordinating/oversight role).

It is assumed that other State agencies can coordinate with OCC as needed; however, agency workloads increase to do so.

Local Fiscal Effect: While the bill does not explicitly require local governments to develop local climate change plans, it directs OCC to work with local governments to develop and implement such plans. Depending on the level of assistance provided by OCC, local expenditures could increase to develop local climate change plans. Depending on the complexity of the plans and the extent to which local governments are already involved in developing such plans, costs could be significant. On the other hand, local governments could benefit if OCC provides assistance with the development of local climate change plans and from any resources identified to assist with the implementation of those plans.

Additional Information

Prior Introductions: HB 503 of 2021 received a hearing in the House Environment and Transportation Committee, but no further action was taken. Its cross file, SB 518, received a hearing in the Senate Education, Health, and Environmental Affairs Committee, but no further action was taken.

Designated Cross File: None.

Information Source(s): Harford County; Maryland Association of Counties; Department of Commerce; Maryland Municipal League; Governor's Office; Department of Budget and Management; Maryland Department of the Environment; Department of Natural Resources; Maryland Department of Transportation; Department of Legislative Services

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