SB 683

# Department of Legislative Services

Maryland General Assembly
2022 Session

## FISCAL AND POLICY NOTE
## Third Reader - Revised

Senate Bill 683 (Senator Kagan)
Budget and Taxation Economic Matters and Appropriations

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**Renewable Energy for Nonprofit Organizations Loan Program**

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This bill establishes a Renewable Energy for Nonprofit Organizations Loan Program in the Maryland Energy Administration (MEA) and requires the Governor to include an appropriation of $500,000 in the annual budget bill for fiscal 2024 to fund the program. **Uncodified provisions requiring MEA to establish an application process, guidelines, considerations, and an advertising campaign for the program, and to report on the program, take effect July 1, 2022; other provisions relating to the program take effect July 1, 2023.**

## Fiscal Summary

**State Effect:** General fund expenditures increase by $500,000 in FY 2024 and by indeterminate amounts in future years. Special fund revenues and expenditures increase by $500,000 in FY 2024 and by indeterminate amounts annually thereafter. **This bill establishes a mandated appropriation in FY 2024.**

| (in dollars) | FY 2023 | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|---|---|---|---|---|---|
| SF Revenue | $0 | $500,000 | - | - | - |
| GF Expenditure | $0 | $500,000 | - | - | - |
| SF Expenditure | $0 | $500,000 | - | - | - |
| Net Effect | $0 | ($500,000) | (-) | (-) | (-) |

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

**Local Effect:** The bill does not directly affect local government finances or operations.

**Small Business Effect:** Potential meaningful.

## Analysis

**Bill Summary:**

*Renewable Energy for Nonprofit Organizations Loan Program*

The stated purpose of the Renewable Energy for Nonprofit Organizations Loan Program is to provide financial assistance in the form of zero-interest loans to nonprofit organizations for the purchase and installation of qualifying renewable energy systems in the State. MEA must (1) manage, supervise, and administer the program; (2) adopt regulations to ensure that loans provided to nonprofit organizations carry out the purpose of the program; and (3) attach specific terms to any loan that are considered necessary to ensure that the purpose of the program is fulfilled.

To receive a loan under the program, a borrower must file an application with MEA. The application must contain any information MEA determines is necessary, including (1) the projected cost of the qualifying renewable energy system being financed through the loan; (2) the location of the property where the qualifying renewable energy system will be installed and whether the property is owned or leased by the applicant; and (3) any additional information relating to the borrower or the proposed qualifying renewable energy system being financed through the loan that may be required by MEA in order to administer the program. An uncodified provision of the bill requires MEA, by July 1, 2023, to (1) establish an application process for loans made under the program; (2) set guidelines and considerations for application, selection, and repayment, as specified; and (3) develop and implement an advertising campaign for the program.

In approving an applicant, MEA must consider and give priority to an applicant that has an annual budget of $1.0 million or less.

Loans from the Renewable Energy for Nonprofit Organizations Loan Fund (discussed below), that supports the program, may be used for the costs of purchasing and installing a qualifying renewable energy system, including the costs of the purchase and installation of any necessary ancillary machinery, equipment, or furnishings. Each borrower must contribute at least 10% of the cost of the qualifying renewable energy system. Loans made under the program must be repayable by the borrower in accordance with a schedule that MEA sets, which may be on a deferred payment basis. A borrower must provide assurances for the repayment of a loan that (1) must include a promissory note and (2) may include a plan for repayment.

Loans may be made in conjunction with, or in addition to, financial assistance provided through other State or federal programs.

*Renewable Energy for Nonprofit Organizations Loan Fund*

The bill establishes a Renewable Energy for Nonprofit Organizations Loan Fund administered by MEA. The fund consists of (1) money appropriated in the State budget to the program; (2) money received from any public or private source; (3) interest and investment earnings on the fund; and (4) repayments and prepayments on loans made from the fund.

For fiscal 2024, the Governor must provide in the annual budget bill an appropriation of $500,000 for the fund.

The fund may only be used to pay the expenses of the program and provide loans to eligible borrowers. Any investment earnings of the fund must be paid into the fund. In addition, any repayment on loans made from the fund must be paid into the fund.

*Reporting Requirement*

By July 1, 2024, MEA must report to the General Assembly on the activity of the program, including the number of applicants and amounts awarded.

*Selected Definitions*

"Nonprofit organization" means an organization that is exempt from federal income tax under § 501(c)(3) of the Internal Revenue Code.

"Qualifying renewable energy system" means a (1) geothermal heating and cooling system or (2) solar energy system, including photovoltaic and solar water heating systems.

**Current Law:**

*Jane E. Lawton Conservation Loan Program*

The stated purpose of the Jane E. Lawton Conservation Loan Program 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.

*Strategic Energy Investment Fund*

Chapters 127 and 128 of 2008 established the Strategic Energy Investment Fund within MEA, primarily to contain revenue generated from the sale of carbon dioxide emission allowances under the Regional Greenhouse Gas Initiative. The allocation of revenue has been altered several times in budget reconciliation legislation. The current allocation requires (1) at least 50% for energy assistance; (2) at least 20% for energy efficiency and conservation (at least one-half for low- and moderate-income programs); (3) at least 20% for renewable and clean energy, energy-related education and outreach, resiliency, and climate change programs; and (4) up to 10% but no more than $5.0 million for administrative expenses.

*Maryland Clean Energy Center*

The Maryland Clean Energy Center (MCEC) was established by Chapter 137 of 2008 as a body politic and corporate and an instrumentality of the State. Chapter 13 of 2021 designated MCEC as a green bank for the State and required it to work in conjunction with other local and private green banks.

The purpose of MCEC is to (1) promote economic development and jobs in the clean energy industry sector; (2) promote the deployment of clean energy technology; (3) serve as an incubator for the development of the clean energy industry; (4) in collaboration with MEA, collect, analyze, and disseminate industry data; and (5) provide outreach and technical support to further the clean energy industry.

**State Fiscal Effect:** General fund expenditures increase by $500,000 in fiscal 2024, reflecting the mandated appropriation established by the bill, and by indeterminate amounts in future years to the extent additional appropriations are made to the fund. Special fund revenues to the fund increase by $500,000 in fiscal 2024 and by indeterminate amounts in future years reflecting the fund’s receipt of general funds and loan repayments. Special fund expenditures increase by $500,000 in fiscal 2024 and by indeterminate amounts in future years reflecting awarding of loans under the program and program expenses. This estimate assumes full use of the appropriated funding in fiscal 2024. Efforts to set up the program in fiscal 2023 are assumed to be handled by MEA with existing resources, including the establishment of an application process and specified guidelines and considerations, and development and implementation of an advertising campaign for the program.

**Small Business Effect:** Small businesses that provide renewable energy design and construction services may benefit to the extent that nonprofits that receive loans procure their services to purchase and install qualifying renewable energy systems.

## Additional Information

**Prior Introductions:** None.

**Designated Cross File:** None.

**Information Source(s):** Department of Budget and Management; Maryland Energy Administration; Department of Legislative Services

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