

Department of Legislative Services
 Maryland General Assembly
 2023 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 493 (Delegate Ruth, *et al.*)
 Ways and Means and Economic Matters

**Department of Commerce - Office of Climate Change Assistance for Small
 Businesses - Establishment**

This bill establishes the Office of Climate Change Assistance for Small Businesses in the Department of Commerce. The purpose of the office is to assist small businesses with issues related to climate change, including transitioning to advanced clean energy and developing climate change resilience strategies to address the impacts of climate change. The office must coordinate with the Office of Resilience in the Maryland Department of Emergency Management (MDEM) to identify strategies and best practices for businesses to prepare for and respond to the impacts of climate change. The bill contains a related one-time reporting requirement.

Fiscal Summary

State Effect: General fund expenditures increase by \$823,600 in FY 2024. Future years reflect annualization and the elimination of one-time costs. MDEM can handle the bill’s requirements with existing budgeted resources. Revenues are not affected.

(in dollars)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	823,600	743,800	774,000	805,200	844,000
Net Effect	(\$823,600)	(\$743,800)	(\$774,000)	(\$805,200)	(\$844,000)

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

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

Small Business Effect: Meaningful.

Analysis

Bill Summary:

Eligible Businesses

A small business may qualify for assistance from the office if:

- its business model is fossil-fuel-based or carbon intensive and needs to be altered due to a transition to advanced clean energy; or
- the small business is located in a geographical area or is part of an industry where the small business is likely to be impacted by climate change.

For purposes of the bill, “small business” means an individual, partnership, a limited partnership, a limited liability partnership, a limited liability company, or a corporation that employs 50 or fewer total full-time employees.

Forms of Assistance

The office must assist and provide guidance to small businesses with (1) identifying and applying for financial assistance programs from public and private sources; (2) identifying business models and transition plans to advanced clean energy that have been successfully implemented by other small businesses; (3) writing new business plans that account for a transition to advanced clean energy; and (4) complying with federal, State, and local laws, regulations, and requirements relating to a transition to advanced clean energy.

Advice and Reporting Requirement

On request, the office must advise the Governor, the Secretary of Commerce, and the General Assembly on matters relating to the impact of climate change on small businesses and the effect of a transition to advanced clean energy on small businesses in the State.

The office must (1) identify industries in the State with business models that are fossil-fuel-based or carbon intensive and that may be impacted by a transition to advanced clean energy and (2) conduct interviews and focus groups with small businesses and industry representatives to identify areas of concern and assistance that may be needed related to a transition to advanced clean energy and developing climate resilience strategies to address impacts of climate change. By October 1, 2024, the office must submit a report on its findings and recommendations to the Governor, the Secretary, and the General Assembly.

Current Law:

Maryland Commission on Climate Change

The 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. The Maryland Department of the Environment 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.

Maryland Greenhouse Gas Emissions Reduction Targets and the Climate Solutions Now Act

The Climate Solutions Now Act (Chapter 38 of 2022) made broad changes to the State's approach to reducing statewide GHG emissions and addressing climate change. Among other things, the Act accelerated previous statewide GHG emissions reductions targets originally established under the Greenhouse Gas Emissions Reduction Act by requiring the State to develop plans, adopt regulations, and implement programs to (1) reduce GHG emissions by 60% from 2006 levels by 2031 and (2) achieve net-zero statewide GHG emissions by 2045. The Act also established new and altered existing energy conservation requirements for buildings and increased and extended the EmPOWER Maryland Program.

Advanced Clean Energy

Statute describes advanced clean energy as a broad term that includes a wide and varied mixture of strategies and techniques to produce useful energy from renewable and sustainable sources in a manner that minimizes fossil fuel use and harmful emissions, and to increase the efficient use of energy derived from all sources. Specific energy sources and strategies are explicitly included, such as solar photovoltaics and other renewable energy sources, energy efficiency and conservation, clean fuels, transportation electrification, and carbon capture.

State Expenditures: Commerce advises that it requires six staff for the new office established under the bill, plus a consultant to assist with production of the required report, which is due October 1, 2024. Accordingly, general fund expenditures increase by

\$823,570 in fiscal 2024, which accounts for the bill’s October 1, 2023 effective date. This estimate reflects the cost of hiring one program manager, three industry outreach/counselor staff, a marketing staff, and an administrative assistant. It includes salaries, fringe benefits, one-time start-up costs, ongoing operating expenses, and \$250,000 in estimated consultant costs.

Positions	6.0
Salaries and Fringe Benefits	\$514,116
Consultant Costs	250,000
Other Operating Expenses	<u>59,454</u>
Total FY 2024 State Expenditures	\$823,570

Future year expenditures reflect full salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses and an assumed need for \$50,000 annually in consultant support.

The Department of Legislative Services notes that the above estimates are preliminary and that actual costs will vary based on the activities undertaken by the office and small business interest in the services provided.

This estimate does not include any effects of small businesses applying for or receiving additional assistance from governmental sources due to technical assistance provided by the office.

Small Business Effect: The office is not established to provide direct monetary assistance to small businesses; however, small businesses likely benefit from technical assistance provided by the office. For example, the office may make a small business aware of available federal grant funding and assist with the grant application.

Additional Information

Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Department of Commerce; Maryland Department of Emergency Management; Department of Legislative Services

Fiscal Note History: First Reader - February 15, 2023
km/lgc

Analysis by: Stephen M. Ross

Direct Inquiries to:
(410) 946-5510
(301) 970-5510